

ALASKA LEGISLATURE COMMITTEE FILES 2007-2008 SRRES 12685

OCTOBER 2007 EGAN CENTER EVENTS

SUNDAY	MONDAY	TUES	WED	THURSDAY	FRIDAY	SATURDAY
	1 National Association of Social Workers	2 National Association of Social Workers	3 National Association of Social Workers	4 Boxing	5 Anchorage Daily News/DirBee German Club Octoberfest	6 German Club Octoberfest Arctic Beauty Supply
7 Arctic Beauty Supply	8 Gonzalez Marketing IT Expo	9 SAE International Gonzalez Marketing IT Expo	10 SAE International Gonzalez Marketing IT Expo	11 MEDS-PDN Mtg. Boxing	12 MEDS-PDN Mtg. SOA/Court System	13
14 Institute of the North - Arctic Energy	15 Institute of the North - Arctic Energy	16 Institute of the North - Arctic Energy	17 Institute of the North - Arctic Energy	18 Institute of the North - Arctic Energy	19	20 AKCrafters AlaskaPik Productions/Garry Lodson Anchor Lutheran School Dinner
21	22 Chamber Monday Forum Luncheon	23	24	25 Boxing	26	27 Mahartia Banquet
28	29 Chamber Monday Forum Luncheon	30	31			



NOVEMBER 2007 EGAN CENTER EVENTS

SUNDAY	MONDAY	TUES	WED	THURSDAY	FRIDAY	SATURDAY
				1 Boxing	2	3
4	5	6	7 Southern Region EMS	8 Southern Region EMS Boxing	9 Southern Region EMS	10 Southern Region EMS Rocky Mountain Elk Foundation Dinner
11	12 Chamber Monday Forum Luncheon	13	14	15 ACVB Monthly Luncheon & Board Meeting Salvation Army Lunch Boxing	16 Webb's Consulting/Crafts Emporium (Setup)	17 Webb's Consulting/Crafts Emporium
18 Webb's Consulting/Crafts Emporium	19 Chamber Monday Forum Luncheon	20	21 Bureau of Indian Affairs (Storage)	22 Bureau of Indian Affairs (Storage)	23 Bureau of Indian Affairs (Storage)	24 Bureau of Indian Affairs (Storage) Anchorage Women's Club Holiday Party
25 Bureau of Indian Affairs (Storage)	26 Bureau of Indian Affairs	27 Bureau of Indian Affairs	28 Bureau of Indian Affairs	29 Bureau of Indian Affairs	30 Bureau of Indian Affairs	

NOVEMBER 2007 - 7/6/2007



DECEMBER 2007 EGAN CENTER EVENTS

SUNDAY	MONDAY	TUES	WED	THURSDAY	FRIDAY	SATURDAY
						1 Lutheran Women's Advent Breakfast The Employees Activities Comm. of the Trial Courts Shoo Atika Lunch AK USA Holiday Party
2	3 Chamber Monday Forum Luncheon	4	5 Southcentral Foundation Elders Lunch Christmas Party	6 AK School Food Service Assn. Trade Show Boxing	7 PouAir Dinner AK Native Tribal Health Consortium Holiday Party	8 BP Holiday Party 381 st Inad Squadron Holiday Party
9	10 Chamber Monday Forum Luncheon SOA/Dept of Commerce, Comm. & Econ. Dev. Meeting	11 US Fish & Wildlife SOA/Dept of Commerce, Comm. & Econ. Dev. Meeting	12 US Fish & Wildlife YWCA Luncheon SOA/Dept of Commerce, Comm. & Econ. Dev. Meeting	13 US Fish & Wildlife ACVB Monthly Luncheon Boxing	14 Southcentral Foundation Holiday Party	15 AK Peace Officers Assn. Holiday Dinner
16	17	18	19	20 Boxing	21	22
23	24	25 	26	27 Boxing	28	29
30	31					



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UPCOMING EVENTS



July 2007 / Aug 07 / Sep 07 / Oct 07 / Nov 07 / Dec 07 / Jan 08 / Feb 08 / Mar 08 / Apr 08 / May 08 / Jun 08

◀ Previous Month

NOVEMBER 2007

Next Month ▶

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Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
				1	2 Alaska vs. Michigan State Hockey	3 Alaska vs. Michigan State Hockey
4	5 Board of Realtors Luncheon	6 Chamber of Commerce General Membership Luncheon	7	8	9 Holiday Marketplace	10 Holiday Marketplace
11 Holiday Marketplace	12 Chamber of Commerce Board Luncheon	13 Chamber of Commerce General Membership Luncheon	14	15 BP Top of the World Basketball Classic	16 BP Top of the World Basketball Classic	17 BP Top of the World Basketball Classic
18 BP Top of the World Basketball Classic	19 Chamber of Commerce Board Luncheon	20 Chamber of Commerce General Membership Luncheon	21	22	23	24
25	26 Chamber of Commerce Board Luncheon	27 Chamber of Commerce General Membership Luncheon	28	29	30 Alaska vs. Northern Michigan Hockey	



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55 MEMBERSHIP | 77-79 | 80-82 | 83-85 | 86-88 | 89-91 | 92-94 | 95-97 | 98-100 | 101-103 | 104-106 | 107-109 | 110-112 | 113-115 | 116-118 | 119-121 | 122-124 | 125-127 | 128-130 | 131-133 | 134-136 | 137-139 | 140-142 | 143-145 | 146-148 | 149-151 | 152-154 | 155-157 | 158-160 | 161-163 | 164-166 | 167-169 | 170-172 | 173-175 | 176-178 | 179-181 | 182-184 | 185-187 | 188-190 | 191-193 | 194-196 | 197-199 | 200-202 | 203-205 | 206-208 | 209-211 | 212-214 | 215-217 | 218-220 | 221-223 | 224-226 | 227-229 | 230-232 | 233-235 | 236-238 | 239-241 | 242-244 | 245-247 | 248-250 | 251-253 | 254-256 | 257-259 | 260-262 | 263-265 | 266-268 | 269-271 | 272-274 | 275-277 | 278-280 | 281-283 | 284-286 | 287-289 | 290-292 | 293-295 | 296-298 | 299-301 | 302-304 | 305-307 | 308-310 | 311-313 | 314-316 | 317-319 | 320-322 | 323-325 | 326-328 | 329-331 | 332-334 | 335-337 | 338-340 | 341-343 | 344-346 | 347-349 | 350-352 | 353-355 | 356-358 | 359-361 | 362-364 | 365-367 | 368-370 | 371-373 | 374-376 | 377-379 | 380-382 | 383-385 | 386-388 | 389-391 | 392-394 | 395-397 | 398-400 | 401-403 | 404-406 | 407-409 | 410-412 | 413-415 | 416-418 | 419-421 | 422-424 | 425-427 | 428-430 | 431-433 | 434-436 | 437-439 | 440-442 | 443-445 | 446-448 | 449-451 | 452-454 | 455-457 | 458-460 | 461-463 | 464-466 | 467-469 | 470-472 | 473-475 | 476-478 | 479-481 | 482-484 | 485-487 | 488-490 | 491-493 | 494-496 | 497-499 | 500-502 | 503-505 | 506-508 | 509-511 | 512-514 | 515-517 | 518-520 | 521-523 | 524-526 | 527-529 | 530-532 | 533-535 | 536-538 | 539-541 | 542-544 | 545-547 | 548-550 | 551-553 | 554-556 | 557-559 | 560-562 | 563-565 | 566-568 | 569-571 | 572-574 | 575-577 | 578-580 | 581-583 | 584-586 | 587-589 | 590-592 | 593-595 | 596-598 | 599-601 | 602-604 | 605-607 | 608-610 | 611-613 | 614-616 | 617-619 | 620-622 | 623-625 | 626-628 | 629-631 | 632-634 | 635-637 | 638-640 | 641-643 | 644-646 | 647-649 | 650-652 | 653-655 | 656-658 | 659-661 | 662-664 | 665-667 | 668-670 | 671-673 | 674-676 | 677-679 | 680-682 | 683-685 | 686-688 | 689-691 | 692-694 | 695-697 | 698-700 | 701-703 | 704-706 | 707-709 | 710-712 | 713-715 | 716-718 | 719-721 | 722-724 | 725-727 | 728-730 | 731-733 | 734-736 | 737-739 | 740-742 | 743-745 | 746-748 | 749-751 | 752-754 | 755-757 | 758-760 | 761-763 | 764-766 | 767-769 | 770-772 | 773-775 | 776-778 | 779-781 | 782-784 | 785-787 | 788-790 | 791-793 | 794-796 | 797-799 | 800-802 | 803-805 | 806-808 | 809-811 | 812-814 | 815-817 | 818-820 | 821-823 | 824-826 | 827-829 | 830-832 | 833-835 | 836-838 | 839-841 | 842-844 | 845-847 | 848-850 | 851-853 | 854-856 | 857-859 | 860-862 | 863-865 | 866-868 | 869-871 | 872-874 | 875-877 | 878-880 | 881-883 | 884-886 | 887-889 | 890-892 | 893-895 | 896-898 | 899-901 | 902-904 | 905-907 | 908-910 | 911-913 | 914-916 | 917-919 | 920-922 | 923-925 | 926-928 | 929-931 | 932-934 | 935-937 | 938-940 | 941-943 | 944-946 | 947-949 | 950-952 | 953-955 | 956-958 | 959-961 | 962-964 | 965-967 | 968-970 | 971-973 | 974-976 | 977-979 | 980-982 | 983-985 | 986-988 | 989-991 | 992-994 | 995-997 | 998-1000

UPCOMING EVENTS

July 2007 / Aug 07 / Sep 07 / Oct 07 / Nov 07 / Dec 07 / Jan 08 / Feb 08 / Mar 08 / Apr 08 / May 08 / Jun 08

Previous Month

DECEMBER 2007

Next Month

	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1							Abbots vs. Northern Michigan Hockey
2							Private Holiday Party
3		Chamber of Commerce Board Lunch					Private Holiday Party
4		Chamber of Commerce Board Lunch					Member Engagement Meeting
5		Chamber of Commerce Board Lunch					Competition
6							Abbots vs. ODU Hockey
7							Abbots vs. ODU Hockey
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FRANK E. MURKOWSKI
Governor



P.O. Box 110001
Juneau, Alaska 99811-0001
(907) 465-3500
Fax (907) 465-3532

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

June 22, 2006

The Honorable Ben Stevens
Alaska State Senate
716 West Fourth Avenue, Suite 510
Anchorage, AK 99501

Dear President Stevens:

By the time you receive this letter you will understand why I am not in Alaska to publicly announce the special session which I am calling for July 12, 2006.

The call will include the continuing need to replace the Economic Limit Factor (ELF)-based oil severance tax with a net profits based Petroleum Production Tax (PPT). By waiting to address PPT we create instability for the private sector and a poor investment climate for oil and gas. We have had a healthy and long debate. Now, we must come to a resolution so that investment decisions can be made without any further delay. I am also concerned that we are losing \$3.2 million per day without the PPT.

I believe this ongoing tax debate is about whether you see Alaska's future as a glass half-full or a glass half-empty. I believe that Alaska is approaching a renaissance of opportunity and prosperity. It is why the 20/20 plan's focus is on encouraging private investment to increase oil production, to grow the economy, and to fill the rest of the "glass."

Some who seek high tax rates view Alaska's glass as half-empty because they are more focused on what the producers might get than Alaska's need for more oil and gas investment and the gas pipeline. Some believe that the extra revenue from a higher PPT tax rate is worth the gamble and are willing to accept the risk that high tax rates will not reduce private investment. Others philosophically believe in high government taxes to promote more government spending.

I want to continue to fill Alaska's "glass," and building the gas pipeline is absolutely critical to future development of the North Slope. That is, without the gas pipeline, revenues from oil will cease in 20 to 30 years.

The grim picture painted by charts illustrating the decline in oil production reflects the policies of the past but do not predict the future I see for Alaska. With a fair tax structure the private sector will develop smaller North Slope oil fields. It is only through increased development that Alaska will receive significant long-term revenues from oil. Add the gas pipeline and the life of the Trans Alaska Pipeline and the jobs and revenue that come with it are extended for an additional two decades.

The 37 trillion cubic feet of gas accessed by the new gas pipeline is the equivalent of six billion barrels of oil – another Prudhoe Bay for our children's future.

I intend to reintroduce my 20/20 proposal, which you will recall I first introduced during the regular session on February 21, 2006:

- This proposal will maximize the long-term value of our oil by encouraging the significant investment (particularly in heavy oil) needed to arrest the continuing substantial decline in the flow of oil through TAPS;
- Any higher PPT tax rate will increase oil revenues only over the very short term, but will result in less investment and thus less oil through TAPS over the long term;
- We have been successful in negotiating a comprehensive, signable gas pipeline contract. At current gas prices, the gas pipeline will provide the people of Alaska more than \$100 billion in revenues over 35 years of the contract. By extending TAPS for another two decades, the gas pipeline project will cause Alaska to receive another \$25 billion in oil revenues.

As we continue the Stranded Gas Development Act (SGDA) approval process, we are listening to you and Alaskans in the meetings we are holding in communities all over Alaska. Alaskans are telling us they want some changes in the contract. This public process will continue. One of the Stranded Gas Development Act/ contract changes, which will also be part of the call, should make it much easier to accept the 20 percent PPT tax rate, which I maintain is in the long-term best interest of the state.

Reforming ELF, increasing oil flows through TAPS, and advancing the gas pipeline project are long overdue. Our gasline proposal is the most realistic alternative for obtaining a revenue source to replace steadily declining oil revenues which, without a gas pipeline, will stop in 20 to 30 years. The misnamed "All Alaska Gas Pipeline" and independent pipeline proposals

Legislators - Second Special Session
June 22, 2006
Page 3 of 3

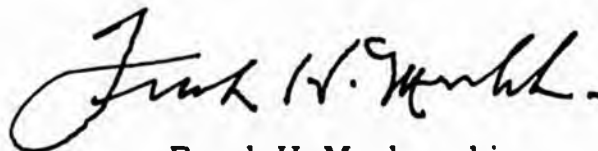
impose greater risk to the state and are painful paths to years of litigation and further delay. The speculation that either could somehow result in a better agreement for Alaska than the agreement you have before you is just that - speculation. Simply put, these are not viable alternatives. They are not economically sound and they are not based on the realities of the gas transmission business.

Some pundits have suggested that due to election politics we should wait until after the elections to address taxes and the pipeline. It's nonsense that any of us would allow election year politics to influence such critical issues and ask that you join me in condemning those who may do so. I appreciate the serious way in which the Legislature has considered these issues. It is our collective responsibility to tackle these items, we can not wait until after the elections are over because the reserves tax (which is on the November ballot) will kill the gas pipeline project by killing the project economics along with oil and gas investment in our state. Signing a contract ahead of that election will provide Alaskans the assurance that punitive taxes are not necessary in order to get the gas pipeline.

To fulfill our responsibilities to the people of this state, the executive and legislative branches of government must come together to co-operate and act now. I understand the July 12th call may be disruptive, but the state is 85 percent reliant on hydrocarbon revenues. Our grandchildren are relying on us to leave them the second Prudhoe Bay similar to what we have enjoyed. Without a pipeline North Slope oil production runs out in 20 to 30 years. If we do not get this project ratified before November, the reserves tax may pass and kill Alaska's future. That is simply not acceptable.

After more than 30 years of discussing it, I look forward to working together with you to approve a gas pipeline project that will guarantee a strong, vibrant future for all Alaskans.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Frank H. Murkowski". The signature is written in a cursive, flowing style.

Frank H. Murkowski
Governor

cc: Alaska State Legislators

ALASKA STATE LEGISLATURE

Sen. Charlie Huggins, Chair
Sen. Bert Stedman, Vice Chair
Sen. Lyda Green
Sen. Gary Stevens
Sen. Lesil McGuire
Sen. Bill Wielechowski
Sen. Thomas Wagoner



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Senate Resources Committee

Butrovich Rm 205

Friday, October 19, 2007

9:00 a.m. - 2:00 p.m.

AGENDA

SB 2001

Production Tax on Oil and Gas

Sponsor Presentation: Governor's Production Tax Team

Patrick Galvin, Commissioner Dept. of Revenue
Marcia Davis, Deputy Commissioner Dept. of Revenue
Jon Iverson, Dir. Tax Div., Dept of Revenue
Bob George, Gaffney, Cline & Associates
Rich Ruggiero, Gaffney, Cline & Associates

272-2119
Janet McCabe

ALASKA STATE LEGISLATURE

-line item

- Advising about contracts

State Capitol Room 113
Juneau, AK 99801-1143
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907-586-3898



Chadler Huggins
Vice President
L. Adams
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Senate Resources Committee
Butovitch km 208

Friday, October 19, 2007
9:00 a.m. - 2:00 p.m.

AGENDA

SR 2007

Production Tax on Oil and Gas

Sponsor Presentation: Governor's Production Tax Team

- Patrick Galtin, Commissioner Dept. of Revenue
- Marla Davis, Deputy Commissioner Dept. of Revenue
- for Investor, The Tax Div. Dept. of Revenue
- Bob George, Galtney, Cline & Associates
- Rich Kuggiero, Galtney, Cline & Associates

1. Gavel In & Call to Order : Note time – members present

**I CALL THE SENATE RESOURCES COMMITTEE TO ORDER ON
FRIDAY, OCTOBER 19, 2007. LET THE RECORD REFLECT
THAT IT IS _____ A.M..**

PRESENT ARE:

**Vice-Chairman Senator Bert Stedman
Senator Gary Stevens
Senator Lyda Green
Senator Lesil McGuire
Senator Bill Wielechowski
Senator Tom Wagoner
& myself, Senator Charlie Huggins**

2. SB 2001 OIL & GAS TAX AMENDMENTS

Welcome:

**Patrick Galvin, Commissioner Dept. of Revenue
Marcia Davis, Deputy Commissioner Dept. of Revenue
Jon Iverson, Dir. Tax Div., Dept of Revenue
Bob George, Gaffney, Cline & Associates
Rich Ruggiero, Gaffney, Cline & Associates**

- a. Ask the speakers to introduce themselves for the record.**

3. Announce: We'll have SB 2001 before us this week-end and through next week which I anticipate will see Senate Resources considering this measure for in excess of 60 hours.

Tomorrow: 8:00 AM start right here.

**Sunday: Joint Meeting w/House Oil & Gas starting @ 1:00 PM in
House Finance**

6. Meeting adjourned @ _____.

ALASKA STATE LEGISLATURE

Sen. Charlie Huggins, Chair
Sen. Bert Stedman, Vice Chair
Sen. Lyda Green
Sen. Gary Stevens
Sen. Lesil McGuire
Sen. Bill Wielechowski
Sen. Thomas Wagoner



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Senate Resources Committee

Butrovich Rm 205

Saturday, October 20, 2007

8:00 a.m. - 1:00 p.m.

AGENDA

SB 2001 - Oil and Gas Production Tax
Sponsor Presentation: Governor's Production Tax Team

II Alaska's Global Competitiveness Under ACES

Bob George, Gaffney, Cline & Associates

Rich Ruggiero, Gaffney, Cline & Associates

Roger Marks, Economist, Dept. of Revenue

Thorsten Wucherphennig, PFC Energy

Dr. Michael Williams, Chief Economist, Dept. of Revenue,

Patrick Galvin, Commissioner, Dept. of Revenue

Marcia Davis, Deputy Commissioner, Dept. of Revenue

Kevin Banks, Acting Director, Division of Oil & Gas

ALASKA STATE LEGISLATURE



**Joint Meeting
Senate Resources and
House Oil and Gas
House Finance Room 519
Sunday, October 21, 2007
1:00 p.m.- 6:00 p.m.**

AGENDA

**SB 2001/HB 2001 - Oil and Gas Production Tax
Presentation by: Governor's Production Tax Team**

**III - ACES Preserves Investment Climate
and
Sectional Analysis of SB 2001/HB 2001**

**Patrick Galvin, Commissioner, Dept. of Revenue
Tony Finizza, Consulting Economist
Cherie Nienhuis, Petroleum Economist, Dept. of Revenue
Kevin Banks, Acting Director, Division of Oil & Gas
Robert Mintz, Preston Gates
Marcia Davis, Deputy Commissioner, Dept. of Revenue**

Gavel In & Call to order:

I call the Joint House Special Committee on Oil & Gas & the Senate Resources Committee meeting to order.

LET THE RECORD REFLECT THAT IT IS _____ A.M.
Sunday October 21, 2007

Present are:

<u>Senate</u>	<u>House Special Cmte on Oil & Gas</u>
Chair Huggins	Chair, Olson
Vice Chair Stedman	Samuels
Green	Dahlstrom
McGuire	Ramras
Stevens	Neuman
Wielechowski	Doogan
Wagoner	Kawasaki

**On the Agenda Today: For part III of the Administration's presentation:
Preserving the Investment Climate and a Sectional Analysis of SB2001 & HB 2001**

Please come forward introduce yourselves for the record.

Patrick Galvin, Commissioner, Dept. of Revenue

Tony Finizza, Consulting Economist

Cherie Nienhuis, Petroleum Economist, Dept. of Revenue

Kevin Banks, Acting Director, Division of Oil & Gas

Robert Mintz, Preston Gates

Marcia Davis, Deputy Commissioner, Dept. of Revenue

Announce: Senate Resources will be back in the Butrovich room tomorrow morning @ 10:15; that's a 15 minute delayed start. Hearing from our legislative consultants & advisors: Don Bullock, Dan Dickenson and Steve Porter.

Chair of HO&G can announce their schedule.

Meeting Adjourned @ _____

ALASKA STATE LEGISLATURE

Sen. Charlie Huggins, Chair
Sen. Bert Stedman, Vice Chair
Sen. Lyda Green
Sen. Gary Stevens
Sen. Lesil McGuire
Sen. Bill Wielechowski
Sen. Thomas Wagoner



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Senate Resources Committee Butrovich Rm 205

Saturday, October 27, 2007
9:00 a.m. - TBD

AGENDA

CS SB 2001 ()

Work Draft 25-GS0014/E
Bullock 10/26/07

"An Act relating to the production tax on oil and gas and to conservation surcharges on oil; relating to the sharing between agencies of certain information relating to the production tax and to oil and gas or gas only leases; amending the State Personnel Act to place in the exempt service certain state oil and gas auditors and their immediate supervisors; providing for retroactive application of certain statutory and regulatory provisions relating to the production tax on oil and gas; making conforming amendments; and providing for an effective date."

- Don Bullock, Legislative Counsel
- Steve Porter, LB&A Consultant

ALASKA STATE LEGISLATURE

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Sen. Lyda Green
Sen. Gary Stevens
Sen. Lesil McGuire
Sen. Bill Wielechowski
Sen. Thomas Wagoner



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Senate Resources Committee

Butrovich Rm 205

Tuesday, October 23, 2007

9:00 a.m. - 5:00 p.m.

&

Public Testimony 6:15 - TBD

AGENDA

SB 2001 - Oil and Gas Production Tax

Morning

Chevron North America Exploration & Production,
John P. Zager, General Manager, Alaska

Pioneer Natural Resources Alaska, Inc.,
Ken Sheffield, President

Anadarko Petroleum Corporation
Mark Hanley, Manager, Public Affairs, Alaska

Afternoon

Alaska Oil & Gas Association,
Marilyn Crockett, Executive Director

Alaska Support Industry Alliance,
Lynn Thompson, President
Paul Laird, General Manager

Resource Development Council
John Shively, President

No Handout

6:15 PM

Public Testimony

-Time Limit May Be Set -

ALASKA STATE LEGISLATURE

Sen. Charlie Huggins, Chair
Sen. Bert Stedman, Vice Chair
Sen. Lyda Green
Sen. Gary Stevens
Sen. Lesil McGuire
Sen. Bill Wielechowski
Sen. Thomas Wagoner



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Senate Resources Committee

Butrovich Rm 205

Monday, October 22, 2007

10:30 a.m. - 5:00 p.m.

****DELAYED UNTIL 10:30 A.M.****

AGENDA

SB 2001 - Oil and Gas Production Tax

Administration Sectional Analysis of SB 2001

Marcia Davis, Deputy Commissioner, Dept. of Revenue

Robert Mintz, Preston Gates

Legislative Advisors/Consultants

Dan Dickinson, Legislative Budget & Audit Consultant

Steve Porter, Legislative Budget & Audit Consultant

Don Bullock, Legislative Counsel

ALASKA STATE LEGISLATURE

Sen. Charlie Huggins, Chair
Sen. Bert Stedman, Vice Chair
Sen. Lyda Green
Sen. Gary Stevens
Sen. Lesil McGuire
Sen. Bill Wielechowski
Sen. Thomas Wagoner



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Senate Resources Committee

Butrovich Rm 205

Tuesday, October 23, 2007

9:00 a.m. - 5:00 p.m.

&

Public Testimony 6:15 - TBD

AGENDA

SB 2001 - Oil and Gas Production Tax

Morning

Chevron North America Exploration & Production,
John P. Zager, General Manager, Alaska

Pioneer Natural Resources Alaska, Inc.,
Ken Sheffield, President
Pat Foley, Manager, Land & External Affairs

Anadarko Petroleum Corporation
Mark Hanley, Manager, Public Affairs, Alaska

Afternoon

Alaska Oil & Gas Association,
Marilyn Crockett, Executive Director

Alaska Support Industry Alliance,
Lynn Thompson, President
Paul Laird, General Manager

Resource Development Council
John Shively, President

6:15 PM

Public Testimony

-Time Limit May Be Set -

ALASKA STATE LEGISLATURE

Sen. Charlie Huggins, Chair
Sen. Bert Stedman, Vice Chair
Sen. Lyda Green
Sen. Gary Stevens
Sen. Lesil McGuire
Sen. Bill Wielechowski
Sen. Thomas Wagoner



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Senate Resources Committee

Butrovich Rm 205

Wednesday, October 24, 2007

10:00 a.m. – 5:00 p.m.

6:15 p.m.

AGENDA

SB 2001 - Oil and Gas Production Tax

Morning

BP Exploration

Claire Fitzpatrick - Commercial Senior Vice President

Mike Utsler - Senior Vice President – Prudhoe Bay

Afternoon

(continuation) BP Exploration testimony

ConocoPhillips

Kevin Mitchell - Vice President, Finance & Administration

Jim Taylor - Vice President, Commercial Assets

6:15 PM

Public Testimony

-Time Limit May Be Set -

ALASKA STATE LEGISLATURE

Sen. Charlie Huggins, Chair
Sen. Bert Stedman, Vice Chair
Sen. Lyda Green
Sen. Gary Stevens
Sen. Lesil McGuire
Sen. Bill Wielechowski
Sen. Thomas Wagoner



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Senate Resources Committee

Butrovich Rm 205

Thursday, October 25, 2007

10:00 a.m. – 5:00 p.m.

AGENDA

SB 2001 - Oil and Gas Production Tax PPT Amendments

Alaska State Chamber of Commerce
Wayne Stevens - President and CEO

Brooks Range Petroleum
Ken Thompson – via phone

ExxonMobil
Craig Haymes – Production Manager, ExxonMobil Alaska

Possible call backs of Previous Presenters

ALASKA STATE LEGISLATURE

Sen. Charlie Huggins, Chair
Sen. Bert Stedman, Vice Chair
Sen. Lyda Green
Sen. Gary Stevens
Sen. Lesil McGuire
Sen. Bill Wielechowski
Sen. Thomas Wagoner



State Capitol, Room 119
Juneau AK 99801-1182
907-465-3878
Fax: 907-465-3265
800-862-3878

Senate Resources Committee

Butrovich Rm 205

Friday, October 26, 2007

1:00 p.m. - TBD

AGENDA

SB 2001 - Oil and Gas Production Tax
PPT Amendments

Patrick Galvin, Commissioner, Dept. of Revenue

John Iverson, Director, Tax Division, Dept. of Revenue

Gary Rogers, Revenue Audit Supervisor, Dept. of Revenue

Rich Ruggiero, Gaffney Cline & Associates

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Senate Resources Committee

Butrovich Rm 205

Saturday, October 27, 2007

9:00 a.m. - TBD

AGENDA

CS SB 2001 ()

Work Draft 25-GS0014/E

Bullock 10/26/07

"An Act relating to the production tax on oil and gas and to conservation surcharges on oil; relating to the sharing between agencies of certain information relating to the production tax and to oil and gas or gas only leases; amending the State Personnel Act to place in the exempt service certain state oil and gas auditors and their immediate supervisors; providing for retroactive application of certain statutory and regulatory provisions relating to the production tax on oil and gas; making conforming amendments; and providing for an effective date."

- Don Bullock, Legislative Counsel
- Steve Porter, LB&A Consultant

ACES

Alaska's Clear and Equitable Share

ACES OVERVIEW

HYBRID SYSTEM

- **Net Base**
 - 25% rate
 - Adjustments to progressivity
 - Adjustments to qualified capital credits
 - Improved credit system for explorers
 - Elimination of "TIE" credits (for past expenditures)
- **Gross Floor (Not Additive)**
 - 10% on Prudhoe Bay and Kuparuk Fields
 - Will kick in at low oil prices

TOOLS TO PROTECT THE STATE'S INTERESTS

- **Competitive Pay for Auditors**
- **Information Needed by the State**
 - Expenditure details in a timely manner and
 - Cost forecasts
 - Information sharing between state agencies with protecting confidentiality
 - Public disclosure of certain information
- **Clear Rules**
 - Define allowable deductions
 - Exclude inappropriate deductions (Corrosion / Dismantlement, Removal & Restoration)

Guiding Principles for New Production Tax System

- Fair Revenue to the State
- Attractive Investment Climate
 - New Exploration
 - Re-investment in Existing Fields (including "Heavy Oil")
- Transparency - Minimize Risk to the State



Final Report Sept 2007

Alaska's Clear and Equitable Share (ACES) Plan

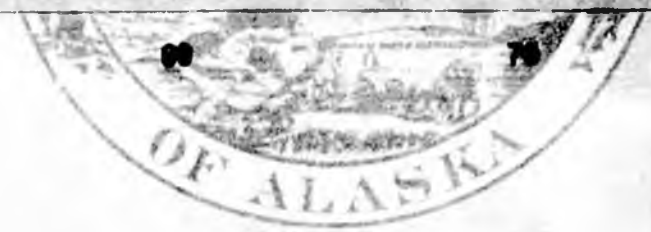
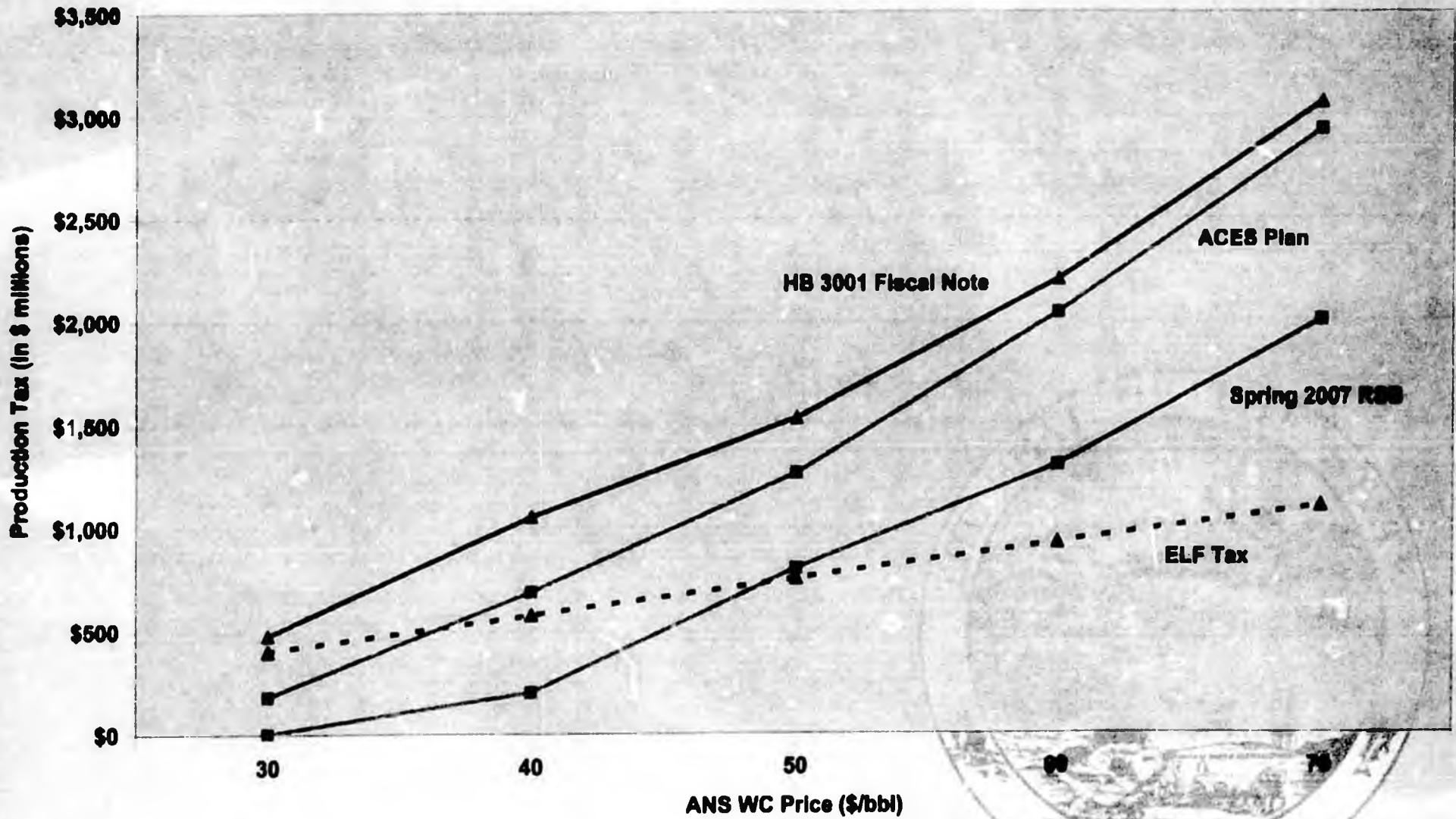
for oil & gas

- 10% Gross-based Tax Floor on Legacy Fields
- 25% Tax Rate on Net Profits
- Progressive Feature that Kicks In at \$30 Net Value (annual) and Rises at Two-tenths of a Percent per Dollar
- Eliminates the Transitional Investment Expenditures "TIE" Credits
- Requires Capital Expenditure Costs to be Taken as Credits Over Two Years, Rather than Immediately
- Fixes "Corrosion" Issue - SB 80 Type Approach
- Excludes Dismantlement, Removal & Restoration (DR&R) Costs from Allowable Expenditures
- Expands Exploration Incentive Credit Program to Include One Exploration Well and Up to Two Delineation Wells
- Provides Vehicle for New Explorers to Get the Same Value for their Credits as Producers
- Transparency - Minimize Risk to the State
 - Requires Taxpayers to Provide Cost Projections to Allow State to Better Forecast State Revenues and Pursue Changes in Reported Costs
 - Authorizes Public Reporting of Some Cost Data
 - Authorizes a Short-term Audit Program
 - Designates an Exempt Class of Oil and Gas Auditors



FY 2008 Production Tax Estimates

HB 3001 Fiscal Note, Spring 2007 Revenue Sources Book, ELF Tax and ACES Plan



Project Net Present Value of Cash Flows (10% Discount Rate)

\$40 Test Price (\$ Millions)

	Status Quo PPT	ACES Plan	16% Gross Tax No Capital Credits	19% Gross Tax With Capital Credits
Field/Project A	178	128	-35	27
Field/Project B	72	48	-22	9
Field/Project C	59	27	-53	-22
Field/Project D	-64	-90	-398	-282
<i>Production Tax Revenues FY2008 @ \$60 oil price</i>	\$1.3B	\$2.0B	\$2.1B	\$2.0B



Government Take Metrics

	At \$60
Marginal Government Take (%) (Fiscal Year 2008)	
ACES	68
International Average – All Fiscal Regimes (Median)	67
International Average – PSA Fiscal Regimes (Median)	74
International Average – Tax Royalty Regimes (Median)	55

Source: International Data from PFC Energy Consultants



10-1-04

FEATURES

Alaska's Clear and Equitable Share (ACES) Plan

- 10% gross-based tax floor on legacy fields;
- 25% tax rate on net profits;
- Progressive feature that kicks in at \$30 net value (annual), and rises at two-tenths of a percent per dollar;
- Eliminates the transitional investment expenditures "TIE" credits;
- Requires capital expenditure costs to be taken as credits over two years, rather than immediately;
- Fixes "corrosion" issue – SB 80 type approach;
- Excludes Dismantlement, Removal & Restoration (DR&R) costs from allowable expenditures;
- Expands Exploration Incentive Credit program to include one exploration well and up to two delineation wells;
- Provides vehicle for new explorers to get the same value for their credits as producers;
- Transparency - Minimize Risks to the State:
 - Requires taxpayers to provide cost projections, to allow state to better forecast state revenues and pursue changes in reported costs;
 - Authorizes public reporting of some cost data;
 - Authorizes a Short-term Audit program;
 - Designates an exempt class of oil and gas auditors to allow the Dept. of Revenue to successfully compete and recruit the highest caliber experienced oil and gas accountants to design and implement the long-term audit program.

10-1-07



AGENDA

1. Introductions
2. Overview of Analysis Done by Administration
3. Why we chose the components of Alaska's Clear and Equitable Share (ACES)
4. What do legislators need from the Administration?
5. Questions and Answers



ACES

Alaska's Clear and Equitable Share

Production Tax Team Assignment

- 1. Develop a gross production tax that:
 - A. Encourages industry investment**
 - B. Enhances State Revenue**
 - C. Is transparent and efficient to administer****
- 2. Compare best gross tax options to improved net-based tax options**



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Multi-Agency Team

- **DOR:**
 - Deputy Commissioner and Tax Director
 - Economists
 - Auditors
- **DNR:**
 - Economists
 - Resource Evaluation Specialists
- **DOL: Assistant Attorney General**
- **Outside Contractors**



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Approach

- Team divided into subteams to produce timely results
 - Econ Subteam - worked on state revenue model with cost forecasting corrections, created an Alaska specific industry valuation model using real field data, developed optimum gross and net-based tax approaches
 - Administrative Subteam - tasked with identifying problems with existing PPT structure and developing solutions



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Econ Subteam- Step one

DNR and DOR developed models of 7 Alaska development projects with actual cost, production, and revenue data. Purpose is to enhance prior PPT work where consultants used primarily prototypes. The projects selected as most likely to be developed:

- 1) Small Satellite Field within existing unit
- 2) Midsize new unit, some facility sharing
- 3) Viscous oil satellite project
- 4) Medium Stand alone new unit
- 5) Large Stand alone new unit
- 6) Very remote stand alone unit
- 7) Heavy Oil project



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Econ Team- Step Two

- Upgrade State Revenue Forecast model by incorporating low, mid and high cost forecast scenarios.
- Necessary in light of step change in costs that occurred in 2005, which made many forecasts inaccurate, including the fiscal note forecast for HB3001.



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Econ Team- Step Three

Develop understanding of the economic “knobs” and how their settings impact state and industry revenue sharing across range of oil prices.

- 1) Tax rate- single rates and multiple rates for different fields
- 2) Progressivity trigger price and slope of curve
- 3) Capital Credit rates, scope and timing
- 4) Exploration Credit rates, scope and timing
- 5) Heavy Oil discount factor



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Gross Tax (GT) Options explored

- GT 16%, no credits, no progressivity
- GT 19%, 20% Qualified Capital Expenditure (QCE) credits, progressivity
- GT 13%, no QCE credits, progressivity
- GT 13%, 20% QCE Credits, progressivity
- GT Back End Loaded Table (variable tax rate with higher GT as field aged, built in progressivity), no QCE credits
- GT Back End Loaded Table (variable tax rate with higher GT as field ages, built in progressivity), 20% QCE credits

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Net Tax Options Explored

- Status Quo- 22.5%, 20% QCE credit
- PPT at 22.5%, 40% well credit
- PPT at 25%, progressivity of .3/\$30, 20% QCE credit
- PPT at 25%, progressivity of .3/\$30, 40% well credit
- PPT at 25%, progressivity of .4/\$25, 20% QCE credit
- PPT at 25%, progressivity of .2/\$30, 20% QCE credit
- PPT at 30%, progressivity of .3/\$30, 20% QCE credit
- PPT at 35% on mature fields, 22.5% all others, progressivity of .3/\$30, 20% QCE credit
- PPT at 30% on mature fields, 22.5% all others, progressivity of .3/\$30, 20% QCE credit
- PPT at 30% on mature fields, 25% all others, progressivity of .3/\$30, 20% QCE credit



Additional Options Examined

- HB89 and SB174 Gross tax proposals
- Proposed Fair Tax Voter Initiative gross tax
- Heavy Oil discount factor for Gross Tax options



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Consultants' Work

- DOR chose a suite of experts to ensure diverse views and optimum world project information coverage.
- Government take from countries around the world was compiled by PFC, AD Little and Gaffney Cline, and presented across range of oil prices and discount factors.

The logo for ACES (Alaska's Clear and Equitable Share) is displayed in large, bold, white letters. The background of the slide features a black and white photograph of a person in a boat, possibly a fisherman, with a large fish visible in the water.

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Lessons Learned

- DOR learned the following:
 - 1) Many elements fall within Government take and different experts combine different elements to generate government take data.
 - 2) To be meaningful, world regimes need to be broken into Production Sharing and Tax/Royalty groups.
 - 3) Specific metrics should reflect whether project is a new field or mature field; and whether you are examining perspective of industry or government.
 - 4) Value of government take data is higher when it is derived from actual projects, rather than hypotheticals.
 - 5) An analysis of industry spending is a necessary complement to the government take analysis to assess relative importance of government take and political stability (factors government can control) versus the region's prospectivity and costs to develop (factors government does not directly control).



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Administrative Subteam

- Reviewed lessons learned since PPT passage
- Met with lawyers and administrators charged with drafting, and administering PPT regulations
- Met with industry to discuss elements that were working and not working well from reporting and compliance standpoint

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Administrative Provisions

- Tighten Qualified Lease expenditures: modified SB 80, exclusions for refining operations/topping plants, dismantlement, removal, restoration
- Improve Value of Credits to State by aiming more precisely at new investment: EIC credits for 1 exploration and 2 delineation wells, eliminate Transitional Investment Expenditure (TIE) credits, credits are refundable by state if not usable, credits for capital expenditures taken over 2 years
- Calculate Progressivity on an annual basis



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Administrative Provisions

- Improve State's Audit Function- Add class of exempt auditors; Statute of Limitations extended to 6 years
- Economic information gathering: forward looking PA cost data; monthly and annual reporting in format uploadable to new database
- Economic Information sharing: facilitate DNR-DOR data sharing; enhanced public reporting



ACES

Why we chose the components of Alaska's
Clear and Equitable Share (ACES)

**“Cradle to Grave” Government Share of Pre-Tax Income
Undiscounted @ \$60 (Applicable to New Fields)**

International Tax Regimes- Data Source PFC Study Sept 2007		
	Top 25%	Median (Mid-Point)
All Fiscal Regimes	72%	48%
Production Sharing Fiscal Regimes	82%	75%
Tax Royalty Regime (No AK or lower 48 on-shore)	51%	47%
Norway	78%	78%
UK	50%	50%
Gulf of Mexico	46%	46%
Alaska Tax Regimes (FY 2008) (Six Representative New Fields)		
ACES (2008 cost est.)	66% to 69% (Median 66.5%)	
PPT (Status Quo) (2008 cost est.)	63% to 68% (Median 64%)	

- **ACES is in top 25% of discounted government share among Tax Royalty Regimes**
- **ACES is near the median of discounted government share among All Fiscal Regimes**
- **ACES is between Norway and UK in top 25% of discounted government share**

**“Cradle to Grave” Government Share of Pre-Tax Income
Discounted at 10% @ \$60 (Applicable to New Fields)**

International Tax Regimes- Data Source PFC Study Sept 2007		
	Top 25%	Median (Mid-Point)
All Fiscal Regimes	76%	63%
Profit Sharing Fiscal Regimes	81%	76%
Tax Royalty Regimes (No AK or lower 48 on-shore)	58%	50%
Norway	81%	81%
UK	51%	51%
Gulf of Mexico	52%	48%
Alaska Tax Regimes (FY 2008) (Six Representative New Fields)		
ACES (2008 cost est.)	68% to 74% (Median 69.5%)	
PPT (Status Quo) (2008 cost est.)	65% to 72% (Median 68%)	

- **ACES is in top 25% of discounted government share among Tax Royalty Regimes**
- **ACES is near the median of discounted government share among All Fiscal Regimes**
- **ACES is between Norway and UK in top 25% of discounted government share**

**“Snapshot” of Percent of Incremental \$ to Government @ \$60
(Mature fields- In production > 10 years)**

International Tax Regimes- Data Source PFC Study Sept 2007		
	Top 25%	Median (Mid-Point)
All Fiscal Regimes	62%	43%
PSA Fiscal Regimes	89%	85%
Tax Royalty Regimes (No AK or lower 48 on-shore)	43%	43%
Norway	78%	78%
UK	50%	50%
Gulf of Mexico	43%	43%
Alaska Tax Regimes (NS Average Mature Fields FY 2008)		
ACES (2008 cost est.)	69%	
PPT (Status Quo) (2008 cost est.)	67%	

- **ACES is in the top 25% of Government Share among Tax Royalty Regimes**
- **ACES is in the highest quartile of Government Share among All Fiscal Regimes**
- **ACES is between Norway and UK in the top 25% of Government Share**