CS FOR SENATE BILL NO. 192(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered: 3/5/12
Referred: Finance

Sponsor(s): SENATE RESOURCES COMMITTEE

A BILL

FOR AN ACT ENTITLED

"An Act relating to the oil and gas production tax; relating to the minimum tax on oil and gas production; providing that the tax rate applicable to the production of oil as the average production tax value of oil, gas produced in the Cook Inlet sedimentary basin, and gas produced outside of the Cook Inlet sedimentary basin and used in the state increases above $30 shall be 0.35 percent multiplied by the number that represents the difference between that average monthly production tax value and $30, or the sum of 25 percent and the product of 0.1 percent multiplied by the number that represents the difference between that average monthly production tax value and $101.43, except that the total rate determined in the calculation may not exceed 35 percent; providing for an increase in the rate of tax on the production of gas as the average production tax value on a BTU equivalent barrel basis of gas produced outside of the Cook Inlet sedimentary basin and not used in the state increases above $30; relating to payments of the oil and
gas production tax; relating to the lease expenditures that may be deducted when
determining production tax value; relating to the allocation of lease expenditures and
adjustments to lease expenditures; relating to the availability of funds from the oil and
gas production tax for appropriation to the community revenue sharing fund; providing
for a reduction in production tax value for certain oil; relating to the duties of the
Alaska Oil and Gas Conservation Commission; relating to a petroleum information
management system; relating to the duties of the Department of Natural Resources, the
Department of Revenue, and the Department of Labor and Workforce Development
that relate to providing the Alaska Oil and Gas Conservation Commission with certain
information relating to oil and gas; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. AS 29.60.850(b) is amended to read:

(b) Each fiscal year, the legislature may appropriate to the community revenue
sharing fund an amount equal to the lesser of 20 percent of the money received by the
state during the previous calendar year under both AS 43.55.011(g) and (p), or the
difference between the amount of money received by the state during the
previous calendar for oil and gas production subject to AS 43.55.011(f) and 25
percent of the production tax value determined under AS 43.55.160 for oil and
gas production subject to AS 43.55.011(f) produced during the previous calendar
year, except the difference may not be less than zero. The amount appropriated
may not exceed

(1) $60,000,000; or

(2) the amount that, when added to the fund balance on June 30 of the
previous fiscal year, equals $180,000,000.

* Sec. 2. AS 31.05.030 is amended by adding a new subsection to read:

(n) The commission shall develop and maintain the petroleum information
management system required under AS 31.05.031.
Sec. 3. AS 31.05 is amended by adding a new section to read:

Sec. 31.05.031. Petroleum information management system. (a) The commission shall develop and maintain an electronic petroleum information management system to collect, secure, distribute, store, retrieve, and archive information related to oil and gas exploration, development, and production in the state. The purposes of the petroleum information management system are to improve the administration of the oil and gas production tax and to facilitate exploration, development, and production of oil and gas resources. The petroleum information management system shall be accessible by the public.

(b) To the extent the information is available and is not confidential, the petroleum information management system must include the following information:

(1) unit and joint operating agreements;
(2) state oil and gas exploration licenses and oil and gas leases;
(3) for exploration activities,
   (A) exploration work programs and budgets;
   (B) seismic data;
   (C) drilling reports;
   (D) logs;
   (E) well tests;
   (F) geological models and maps;
(4) for development activities,
   (A) development plans with operating and capital expenditure projections;
   (B) construction progress reports;
   (C) drilling reports;
   (D) reservoir characterization;
(5) for production activities,
   (A) production work programs and budgets;
   (B) oil and gas sales, revenue, and pricing;
   (C) transportation agreements;
   (D) production data;
(E) injection data;
(F) operating and capital expenditures;
(G) facility maps and studies;
(6) for abandonment of oil and gas wells, leases, and production and transportation facilities,
   (A) abandonment plans and budgets;
   (B) progress reports;
(7) for oil and gas related employment information,
   (A) the number of resident and nonresident hires for each year;
   (B) training opportunities; and
(8) other information the commission determines necessary and relevant to the oil and gas production tax and to the exploration, development, and production of oil and gas resources.
(c) The Department of Natural Resources, the Department of Revenue, and the Department of Labor and Workforce Development, in consultation with the commission, shall provide information described in (b) of this section that is not confidential and within each department's control to the commission for inclusion in the petroleum information management system. The information provided by a department under this subsection shall be in a form suitable for the commission to include in the petroleum information management system.

* Sec. 4. AS 31.05.093(c) is amended to read:
   (c) The commission shall determine the regulatory cost charges levied under this section so that the total amount to be collected approximately equals the appropriations made for the operating costs of the commission under this chapter for the fiscal year. For the purpose of determining the regulatory cost charges under this subsection, the operating costs for the petroleum information management system (AS 31.05.031) may not be included in the operating costs of the commission.

* Sec. 5. AS 43.55.011(e) is amended to read:
   (e) There is levied on the producer of oil or gas a tax for all oil and gas produced each calendar year from each lease or property in the state, less any oil and gas
gas the ownership or right to which is exempt from taxation or constitutes a landowner's royalty interest. Except as otherwise provided under (f), (j), (k), and (o) of this section, the tax is equal to the sum of

(1) the annual production tax value of the taxable oil and gas as calculated under AS 43.55.160(a)(1) multiplied by 25 percent; and

(2) the sum, over all months of the calendar year, of the tax amounts determined under

(A) subsection (g) of this section; and

(B) subsection (p) of this section.

* Sec. 6. AS 43.55.011(f) is repealed and reenacted to read:

(f) Except for oil and gas subject to (i) of this section and gas subject to (o) of this section, the provisions of this subsection apply to oil and gas produced from each lease or property within a unit or nonunitized reservoir that has cumulatively produced 1,000,000,000 BTU equivalent barrels of oil or gas by the close of the most recent calendar year and from which the average daily oil and gas production from the unit or nonunitized reservoir during the most recent calendar year exceeded 100,000 BTU equivalent barrels. Notwithstanding any contrary provision of law, a producer may not apply tax credits to reduce its total tax liability under (e) and (g) of this section for oil and gas produced from all leases or properties within the unit or nonunitized reservoir below 10 percent of the total gross value at the point of production of that oil and gas. If the amount of tax calculated by multiplying the tax rates in (e) and (g) of this section by the total production tax value of the oil and gas taxable under (e) and (g) of this section produced from all of the producer's leases or properties within the unit or nonunitized reservoir is less than 10 percent of the total gross value at the point of production of that oil and gas, the tax levied by (e) and (g) of this section for that oil and gas is equal to 10 percent of the total gross value at the point of production of that oil and gas.

* Sec. 7. AS 43.55.011(g) is amended to read:

(g) For each month of the calendar year for which the producer's average monthly production tax value under AS 43.55.160(a)(2)(A) - (E) of a [AS 43.55.160(a)(2) PER] BTU equivalent barrel of [THE] taxable oil and gas is more
than $30, the amount of tax for purposes of (e)(2)(A) [(e)(2)] of this section is determined by multiplying the monthly production tax value of the taxable oil [AND GAS] produced during the month, gas produced during the month from a lease or property in the Cook Inlet sedimentary basin, and gas produced during the month from a lease or property outside the Cook Inlet sedimentary basin and used in the state by the tax rate calculated as follows:

(1) if the producer's average monthly production tax value under AS 43.55.160(a)(2)(A) - (E) of a [PER] BTU equivalent barrel of [THE] taxable oil and gas for the month is not more than $101.43 [$92.50], the tax rate is 0.35 [0.4] percent multiplied by the number that represents the difference between the producer's [THAT] average monthly production tax value under AS 43.55.160(a)(2)(A) - (E) of a [PER] BTU equivalent barrel of taxable oil and gas and $30; [OR]

(2) if the producer's average monthly production tax value under AS 43.55.160(a)(2)(A) - (E) of a [PER] BTU equivalent barrel of [THE] taxable oil and gas for the month is more than $101.43 [$92.50], the tax rate is the sum of 25 percent and the product of 0.1 percent multiplied by the number that represents the difference between the producer's average monthly production tax value under AS 43.55.160(a)(2)(A) - (E) of a [PER] BTU equivalent barrel of taxable oil and gas and $101.43 [$92.50], except that the sum determined under this paragraph may not exceed 35 [50] percent;

(3) for purposes of this subsection, the average monthly production tax value under AS 43.55.160(a)(2)(A) - (E) of a BTU equivalent barrel of taxable oil and gas is calculated by

(A) adding all of the monthly production tax values determined under AS 43.55.160(a)(2)(A) - (E); and

(B) dividing the sum calculated under (A) of this paragraph by the total amount, in BTU equivalent barrels, of

(i) taxable oil produced by the producer during the month;

(ii) taxable gas produced by the producer during the
month from a lease or property in the Cook Inlet sedimentary basin; and

(iii) taxable gas produced by the producer during the month from a lease or property outside the Cook Inlet sedimentary basin and used in the state.

*Sec. 8.* AS 43.55.011 is amended by adding a new subsection to read:

(p) For each month of the calendar year for which the producer's average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of taxable gas is more than $30, the amount of tax on the production of gas for purposes of (e)(2)(B) of this section is determined by multiplying the monthly production tax value of the taxable gas produced during the month other than gas produced from a lease or property in the Cook Inlet sedimentary basin or gas produced outside the Cook Inlet sedimentary basin and used in the state by the tax rate calculated as follows:

(1) if the producer's average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of taxable gas for the month is not more than $101.43, the tax rate is 0.35 percent multiplied by the number that represents the difference between the producer's average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of gas and $30;

(2) if the producer's average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of taxable gas for the month is more than $101.43, the tax rate is the sum of 25 percent and the product of 0.1 percent multiplied by the number that represents the difference between the producer's average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of gas and $101.43, except that the sum determined under this paragraph may not exceed 35 percent;

(3) for purposes of this subsection, the average monthly production tax value under AS 43.55.160(a)(2)(F) and (G) of a BTU equivalent barrel of taxable gas is calculated by

(A) adding the monthly production tax value determined under AS 43.55.160(a)(2)(F) to the monthly production tax value determined under
AS 43.55.160(a)(2)(G); and

(B) dividing the sum calculated under (A) of this paragraph by
the total amount, in BTU equivalent barrels, of the taxable gas produced by the
producer during the month, other than gas produced from a lease or property in
the Cook Inlet sedimentary basin or gas produced outside the Cook Inlet
sedimentary basin and used in the state.

* Sec. 9. AS 43.55.020(a) is repealed and reenacted to read:

(a) For a calendar year, a producer subject to tax under AS 43.55.011(e) - (i)
and (p) shall pay the tax as follows:

(1) an installment payment of the estimated tax levied by
AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each
month of the calendar year on the last day of the following month; except as otherwise
provided under (2) of this subsection, the amount of the installment payment is the
sum of the following amounts in (A) - (C) of this paragraph, less 1/12 of the tax
credits that are allowed by law to be applied against the tax levied by AS 43.55.011(e)
for the calendar year, but the amount of the installment payment may not be less than
zero:

(A) the monthly production tax value for the month calculated
under AS 43.55.160(a)(2)(B) multiplied by the sum of 25 percent and the tax
rate calculated for the month under AS 43.55.011(g), added to the monthly
production tax value for the month calculated under AS 43.55.160(a)(2)(G)
multiplied by the sum of 25 percent and the tax rate calculated for the month
under AS 43.55.011(p);

(B) the greater of

(i) 10 percent, under AS 43.55.011(f), of the gross value
at the point of production of the oil and gas produced during the month
from all leases or properties in the state that include land north of 68
degrees North latitude, other than oil and gas subject to
AS 43.55.011(i) and gas subject to AS 43.55.011(o); or

(ii) the monthly production tax value for the month
calculated under AS 43.55.160(a)(2)(A) multiplied by the sum of 25
percent and the tax rate calculated for the month under AS 43.55.011(g), added to the monthly production tax value for the month calculated under AS 43.55.160(a)(2)(F) multiplied by the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(p); and

(C) for each lease or property, for gas subject to AS 43.55.011(j), oil subject to AS 43.55.011(k), and gas subject to AS 43.55.011(o), the monthly production tax value for the month calculated under AS 43.55.160(a)(2)(C), (D), or (E), as applicable, multiplied by the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g);

(2) an amount calculated under (1)(C) of this subsection for oil or gas produced from a particular lease or property may not exceed the product obtained by carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable for gas, or set out in AS 43.55.011(k)(1) or (2), as applicable for oil, but substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable gas produced during the month for the amount of taxable gas produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the amount of taxable oil produced during the month for the amount of taxable oil produced during the calendar year;

(3) an installment payment of the estimated tax levied by AS 43.55.011(i) for each lease or property is due for each month of the calendar year on the last day of the following month; the amount of the installment payment is the sum of

(A) the applicable tax rate for oil provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the oil taxable under AS 43.55.011(i) and produced from the lease or property during the month; and

(B) the applicable tax rate for gas provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the gas taxable under AS 43.55.011(i) and produced from the lease or property during the month;
(4) Any amount of tax levied by AS 43.55.011(e) or (i), net of any
credits applied as allowed by law, that exceeds the total of the amounts due as
installment payments of estimated tax is due on March 31 of the year following the
calendar year of production.

* Sec. 10. AS 43.55.020(d) is amended to read:

(d) In making settlement with the royalty owner for oil and gas that is taxable
under AS 43.55.011, the producer may deduct the amount of the tax paid on taxable
royalty oil and gas, or may deduct taxable royalty oil or gas equivalent in value at the
time the tax becomes due to the amount of the tax paid. If the total deductions of
installment payments of estimated tax for a calendar year exceed the actual tax for that
calendar year, the producer shall, before April 1 of the following year, refund the
excess to the royalty owner. Unless otherwise agreed between the producer and the
royalty owner, the amount of the tax paid under AS 43.55.011(e) - (g) and (p) on
taxable royalty oil and gas for a calendar year, other than oil and gas the ownership or
right to which constitutes a landowner's royalty interest, is considered to be the gross
value at the point of production of the taxable royalty oil and gas produced during the
calendar year multiplied by a figure that is a quotient, in which

(1) the numerator is the producer's total tax liability under
AS 43.55.011(e) - (g) and (p) for the calendar year of production; and

(2) the denominator is the total gross value at the point of production
of the oil and gas taxable under AS 43.55.011(e) - (g) and (p) produced by the
producer from all leases and properties in the state during the calendar year.

* Sec. 11. AS 43.55.160(a) is amended to read:

(a) Except as provided in (b) of this section and subject to an adjustment
under AS 43.55.162, for the purposes of

(1) AS 43.55.011(e), the annual production tax value of the taxable

   (A) Oil [AND GAS] produced during a calendar year from
   leases or properties in the state that include land north of 68 degrees North
   latitude is the gross value at the point of production of the oil [AND GAS]
taxable under AS 43.55.011(e) and produced by the producer from those leases
   or properties, less the producer's lease expenditures under AS 43.55.165 for the
calendar year applicable to the oil [AND GAS] produced by the producer from those leases or properties, **and the portion allocated under (g) of this section of the producer's lease expenditures under AS 43.55.165 for the calendar year incurred to explore land that is not a lease or property, or to explore or develop a lease or property before commencement of commercial production of oil or gas from the lease or property, if that land or any part of the lease or property is located north of 68 degrees North latitude, as adjusted under AS 43.55.170; [THIS SUBPARAGRAPH DOES NOT APPLY TO GAS SUBJECT TO AS 43.55.011(o);]**

(B) oil [AND GAS] produced during a calendar year from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, is the gross value at the point of production of the oil [AND GAS] taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil [AND GAS] produced by the producer from those leases or properties, **and the portion allocated under (g) of this section of the producer's lease expenditures under AS 43.55.165 for the calendar year incurred to explore land that is not a lease or property, or to explore or develop a lease or property before commencement of commercial production of oil or gas from the lease or property, if that land or lease or property is located outside the Cook Inlet sedimentary basin, and the land and all parts of the lease or property are not north of 68 degrees North latitude, as adjusted under AS 43.55.170; [THIS SUBPARAGRAPH DOES NOT APPLY TO GAS SUBJECT TO AS 43.55.011(o);]**

(C) oil produced during a calendar year from a lease or property in the Cook Inlet sedimentary basin is the gross value at the point of production of the oil taxable under AS 43.55.011(e) and produced by the producer from that lease or property, less the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil produced by the producer from that lease or property, **and the portion allocated under (g) of**
this section of the producer's lease expenditures under AS 43.55.165 for
the calendar year incurred to explore land that is not a lease or property,
or to explore or develop a lease or property before commencement of
commercial production of oil or gas from the lease or property, if that
land or lease or property is located in the Cook Inlet sedimentary basin, as
adjusted under AS 43.55.170;

(D) gas produced during a calendar year from a lease or
property in the Cook Inlet sedimentary basin is the gross value at the point of
production of the gas taxable under AS 43.55.011(e) and produced by the
producer from that lease or property, less the producer's lease expenditures
under AS 43.55.165 for the calendar year applicable to the gas produced by the
producer from that lease or property, and the portion allocated under (g) of
this section of the producer's lease expenditures under AS 43.55.165 for
the calendar year incurred to explore land that is not a lease or property,
or to explore or develop a lease or property before commencement of
commercial production of oil or gas from the lease or property, if that
land or lease or property is located in the Cook Inlet sedimentary basin, as
adjusted under AS 43.55.170;

(E) gas produced during a calendar year from a lease or
property in the state outside the Cook Inlet sedimentary basin and used in the
state is the gross value at the point of production of that gas taxable under
AS 43.55.011(e) and produced by the producer from that lease or property, less
the producer's lease expenditures under AS 43.55.165 for the calendar year
applicable to that gas produced by the producer from that lease or property,
and the portion allocated under (g) of this section of the producer's lease
expenditures under AS 43.55.165 for the calendar year incurred to explore
land that is not a lease or property, or to explore or develop a lease or
property before commencement of commercial production of oil or gas
from the lease or property, if that land or lease or property is located
outside the Cook Inlet sedimentary basin, as adjusted under AS 43.55.170;

(F) gas produced during a calendar year from leases or
properties in the state that include land north of 68 degrees North latitude
is the gross value at the point of production of the gas taxable under
AS 43.55.011(e) and produced by the producer from those leases or
properties, less the producer's lease expenditures under AS 43.55.165 for
the calendar year applicable to the gas produced by the producer from
those leases or properties, and the portion allocated under (g) of this
section of the producer's lease expenditures under AS 43.55.165 for the
calendar year incurred to explore land that is not a lease or property, or
to explore or develop a lease or property before commencement of
commercial production of oil or gas from the lease or property, if that
land or any part of the lease or property is located north of 68 degrees
North latitude, as adjusted under AS 43.55.170; this subparagraph does
not apply to gas subject to AS 43.55.011(o):

(G) gas produced during a calendar year from leases or
properties in the state outside the Cook Inlet sedimentary basin, no part of
which is north of 68 degrees North latitude, is the gross value at the point
of production of the gas taxable under AS 43.55.011(e) and produced by
the producer from those leases or properties, less the producer's lease
expenditures under AS 43.55.165 for the calendar year applicable to the
gas produced by the producer from those leases or properties, and the
portion allocated under (g) of this section of the producer's lease
expenditures under AS 43.55.165 for the calendar year incurred to explore
land that is not a lease or property, or to explore or develop a lease or
property before commencement of commercial production of oil or gas
from the lease or property, if that land or lease or property is located
outside the Cook Inlet sedimentary basin, and the land and all parts of the
lease or property are not north of 68 degrees North latitude, as adjusted
under AS 43.55.170; this subparagraph does not apply to gas subject to
AS 43.55.011(o):

(2) AS 43.55.011(g) and (p), the monthly production tax value of the

taxable
(A) Oil [AND GAS] produced during a month from leases or properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of the oil [AND GAS] taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil [AND GAS] produced by the producer from those leases or properties, and 1/12 of the portion allocated under (g) of this section of the producer's lease expenditures under AS 43.55.165 for the calendar year incurred to explore land that is not a lease or property, or to explore or develop a lease or property before commencement of commercial production of oil or gas from the lease or property, if that land or any part of the lease or property is located north of 68 degrees North latitude, as adjusted under AS 43.55.170; [THIS SUBPARAGRAPH DOES NOT APPLY TO GAS SUBJECT TO AS 43.55.011(o);]

(B) Oil [AND GAS] produced during a month from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, is the gross value at the point of production of the oil [AND GAS] taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil [AND GAS] produced by the producer from those leases or properties, and 1/12 of the portion allocated under (g) of this section of the producer's lease expenditures under AS 43.55.165 for the calendar year incurred to explore land that is not a lease or property, or to explore or develop a lease or property before commencement of commercial production of oil or gas from the lease or property, if that land or lease or property is located outside the Cook Inlet sedimentary basin, and the land and all parts of the lease or property are not north of 68 degrees North latitude, as adjusted under AS 43.55.170; [THIS SUBPARAGRAPH DOES NOT APPLY TO GAS SUBJECT TO AS 43.55.011(o);]

(C) Oil produced during a month from a lease or property in the
Cook Inlet sedimentary basin is the gross value at the point of production of
the oil taxable under AS 43.55.011(e) and produced by the producer from that
lease or property, less 1/12 of the producer's lease expenditures under
AS 43.55.165 for the calendar year applicable to the oil produced by the
producer from that lease or property, and 1/12 of the portion allocated under
(g) of this section of the producer's lease expenditures under AS 43.55.165
for the calendar year incurred to explore land that is not a lease or
property, or to explore or develop a lease or property before
commencement of commercial production of oil or gas from the lease or
property, if that land or lease or property is located in the Cook Inlet
sedimentary basin, as adjusted under AS 43.55.170;

(D) gas produced during a month from a lease or property in
the Cook Inlet sedimentary basin is the gross value at the point of production
of the gas taxable under AS 43.55.011(e) and produced by the producer from
that lease or property, less 1/12 of the producer's lease expenditures under
AS 43.55.165 for the calendar year applicable to the gas produced by the
producer from that lease or property, and 1/12 of the portion allocated under
(g) of this section of the producer's lease expenditures under AS 43.55.165
for the calendar year incurred to explore land that is not a lease or
property, or to explore or develop a lease or property before
commencement of commercial production of oil or gas from the lease or
property, if that land or lease or property is located in the Cook Inlet
sedimentary basin, as adjusted under AS 43.55.170;

(E) gas produced during a month from a lease or property in the state
outside the Cook Inlet sedimentary basin and used in the state is the
gross value at the point of production of that gas taxable under
AS 43.55.011(e) and produced by the producer from that lease or property, less
1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar
year applicable to that gas produced by the producer from that lease or
property, and 1/12 of the portion allocated under (g) of this section of the
producer's lease expenditures under AS 43.55.165 for the calendar year
incurred to explore land that is not a lease or property, or to explore or
develop a lease or property before commencement of commercial
production of oil or gas from the lease or property, if that land or lease or
property is located outside of the Cook Inlet sedimentary basin, as adjusted
under AS 43.55.170;

(F) gas produced during a month from leases or properties
in the state that include land north of 68 degrees North latitude is the
gross value at the point of production of the gas taxable under
AS 43.55.011(e) and produced by the producer from those leases or
properties, less 1/12 of the producer's lease expenditures under
AS 43.55.165 for the calendar year applicable to the gas produced by the
producer from those leases or properties, and 1/12 of the portion allocated
under (g) of this section of the producer's lease expenditures under
AS 43.55.165 for the calendar year incurred to explore land that is not a
lease or property, or to explore or develop a lease or property before
commencement of commercial production of oil or gas from the lease or
property, if that land or any part of the lease or property is located north
of 68 degrees North latitude, as adjusted under AS 43.55.170; this
subparagraph does not apply to gas subject to AS 43.55.011(o);

(G) gas produced during a month from leases or properties
in the state outside the Cook Inlet sedimentary basin, no part of which is
north of 68 degrees North latitude, is the gross value at the point of
production of the gas taxable under AS 43.55.011(e) and produced by the
producer from those leases or properties, less 1/12 of the producer's lease
expenditures under AS 43.55.165 for the calendar year applicable to the
gas produced by the producer from those leases or properties, and 1/12 of
the portion allocated under (g) of this section of the producer's lease
expenditures under AS 43.55.165 for the calendar year incurred to explore
land that is not a lease or property, or to explore or develop a lease or
property before commencement of commercial production of oil or gas
from the lease or property, if that land or lease or property is located
outside the Cook Inlet sedimentary basin, and the land and all parts of the
lease or property are not north of 68 degrees North latitude, as adjusted
under AS 43.55.170; this subparagraph does not apply to gas subject to
AS 43.55.011(o).

* Sec. 12. AS 43.55.160 is amended by adding new subsections to read:

(f) For purposes of (a) of this section, a lease expenditure is applicable to oil
or gas produced from a lease or property, or to oil or gas produced from leases or
properties in an area of the state, if the lease expenditure is

(1) a cost to explore, develop, or produce oil or gas from that lease or
property, or to explore, develop, or produce oil or gas from one of those leases or
properties in that area of the state, respectively; and

(2) incurred on or after the commencement of commercial production
of oil or gas from the lease or property.

(g) For purposes of (a) of this section, a lease expenditure incurred during a
calendar year to explore land that is not a lease or property, or to explore or develop a
lease or property before commencement of commercial production of oil or gas from
the lease or property, shall be allocated as provided in a regulation adopted by the
department under AS 43.55.165(h) to and among oil, gas subject to AS 43.55.011(o),
and gas not subject to AS 43.55.011(o) produced by the producer during that calendar
year from leases or properties in the same area of the state as the land being explored
or the lease or property being explored or developed, respectively.

(h) For purposes of (f) and (g) of this section, an area of the state is one of the
following:

(1) land north of 68 degrees North latitude;

(2) land outside the Cook Inlet sedimentary basin not including any
land north of 68 degrees North latitude; or

(3) the Cook Inlet sedimentary basin.

* Sec. 13. AS 43.55 is amended by adding a new section to read:

Sec. 43.55.162. Adjustment to production tax value for increasing oil
production. (a) The production tax value of oil delivered to and transported by the
Trans Alaska Pipeline System, as calculated under AS 43.55.160(a)(1)(A) and (B) and
AS 43.55.160(a)(2)(A) and (B), may be reduced by an amount determined by the department under this section.

(b) A producer shall report to the department the total adjusted amount of annual oil production and adjusted amount of the average daily statewide oil production delivered by the producer for transport to the Trans Alaska Pipeline System for both the calendar year immediately preceding the year for which the tax is being determined and the year for which the tax is being determined. The report shall be filed at the time the statement required under AS 43.55.030(a) is filed.

(c) When calculating the

(1) adjusted amount of the average daily statewide production under (b) of this section, the producer shall exclude from the calculation the days on which the rate of production is significantly reduced and the volume of production on those days for which the rate of production is significantly reduced; for the purposes of this paragraph, the rate of production is significantly reduced when the production of oil delivered by the producer to the Trans Alaska Pipeline System for the day is less than one-half of the average daily production for the year calculated by dividing the total oil production that is produced by the producer and delivered to the Trans Alaska Pipeline System for the year by the number of days in the year;

(2) adjusted amount of total annual oil production that is delivered by the producer to the Trans Alaska Pipeline System, the producer shall multiply the adjusted amount of average daily production determined under (1) of this subsection by the number of days in the applicable calendar year; and

(3) adjusted amount of total annual oil production that is delivered by the producer to the Trans Alaska Pipeline System for the year for which the tax is being determined under (2) of this subsection, the producer may not include the amount of production resulting from the purchase, merger, or other acquisition of another producer and any production attributable to the producer from a unit in which the producer did not participate in the calendar year immediately preceding the year for which the tax is being determined; however, the increased production that may not be included by a producer under this paragraph may be included in the adjusted amount of total annual oil production for the year when determining the amount by
which production increases in the next succeeding year.

(d) After receiving a report by the producer under (b) of this section, the department may reduce the production tax value determined under

(1) AS 43.55.160(a)(1)(A) and (B) by $10 for each barrel of oil delivered by the producer to the Trans Alaska Pipeline system during the year for which the tax is being determined that exceeds the adjusted total annual production for the calendar year immediately preceding the year for which the tax is being determined; and

(2) AS 43.55.160(a)(2)(A) and (B) by $10 for each barrel of oil delivered to the Trans Alaska Pipeline System for each month in the year for which the tax is being determined that exceeds 1/12 of the number of barrels by which the adjusted total annual production for the year for which the tax is being determined exceeds the adjusted total annual production for the calendar year immediately preceding the year for which the tax is being determined.

(e) The department shall notify the producer of the amount of tax reduction allowed as a result of a reduction in production tax value determined by the department under (d) of this section. At the request of the producer, the department may refund any amount due to the producer as a result of the reduction in production tax value or credit the amount of the tax reduction against the liability of the taxpayer for a tax due under this title.

(f) A tax reduction that results from a reduction in the production tax value under this section may not be considered when a producer is required to calculate and pay any amount due under AS 43.55.020(a). However, at the request of the producer, a credit allowed under (e) of this section may be applied against a payment due under AS 43.55.020(a) for a period after the department determines the amount of reduction in the production tax value.

(g) When determining the average monthly production tax value in AS 43.55.011(g), the average monthly production tax value shall be determined before applying any adjustment under (d) of this section.

(h) The department may adopt regulations specifying the information that must be included in the report filed by a producer under (b) of this section and other
regulations necessary for the administration of this section.

* Sec. 14. AS 43.55.165(h) is amended to read:

(h) The department shall adopt regulations that provide for reasonable methods of allocating costs between oil and gas, between gas subject to AS 43.55.011(o) and other gas, and between leases or properties in those circumstances where an allocation of costs is required to determine lease expenditures that are costs of exploring for, developing, or producing oil deposits or costs of exploring for, developing, or producing gas deposits, or that are costs of exploring for, developing, or producing oil or gas deposits located within different leases or properties. When adopting a regulation for determining a reasonable method of allocating lease expenditures between the production of oil and the production of gas, the department shall, to the extent possible, provide for the allocation of lease expenditures in proportion to the gross value at the point of production for oil produced and gas produced.

* Sec. 15. AS 43.55.170 is amended by adding a new subsection to read:

(d) The department shall adopt regulations that provide for reasonable methods of allocating the adjustments to a producer’s lease expenditures in (a) of this section and the payments and credits described in (b) of this section between oil and gas, between gas subject to AS 43.55.011(o) and other gas, and between leases or properties in those circumstances where an allocation of costs is required to determine lease expenditures that are costs of exploring for, developing, or producing oil deposits, or costs of exploring for, developing, or producing gas deposits, or that are costs of exploring for, developing, or producing oil or gas deposits located within different leases or properties. When determining a reasonable method of allocating the adjustments to a producer's lease expenditures between the production of oil and the production of gas, the department shall consider allocating the adjustments in proportion to the lease expenditures allocated to the production of oil and the production of gas under regulations adopted by the department under AS 43.55.165(h).

* Sec. 16. The uncodified law of the State of Alaska is amended by adding a new section to read:
IMPLEMENTATION OF THE PETROLEUM INFORMATION MANAGEMENT SYSTEM; RECOMMENDATION FOR STATUTORY CHANGES. The Alaska Oil and Gas Conservation Commission shall develop and implement a work plan for the development of the petroleum information management system required by AS 31.05.031, enacted by sec. 3 of this Act, so that the system is operational before January 1, 2014.

* Sec. 17. The uncodified law of the State of Alaska is amended by adding a new section to read:

APPLICABILITY. The reduction in production tax value under AS 43.55.162, enacted by sec. 13 of this Act, applies to qualifying oil produced after December 31, 2012. In this section, "qualifying oil" means oil delivered to the Trans Alaska Pipeline System the production tax value of which is calculated under AS 43.55.160(a)(1)(A) and (B) and AS 43.55.160(a)(2)(A) and (B).

* Sec. 18. This Act takes effect January 1, 2013.