Page 17, line 28, through page 18, line 28:
Delete all material and insert:

"(j) For each month of the calendar year for which a producer's average monthly gross value at the point of production of a barrel of taxable oil and gas is less than $150, a producer may apply against the producer's tax liability for the calendar year under AS 43.55.011(e) a tax credit in the amount specified in this subsection for each barrel of taxable oil under AS 43.55.011(e) that does not meet any of the criteria in AS 43.55.160(f) and that is produced during a calendar year after December 31, 2013. A tax credit under this section may not reduce a producer's tax liability for a calendar year under AS 43.55.011(e) below zero. The amount of the tax credit for a barrel of taxable oil subject to this subsection is

(1) if the producer's average monthly gross value at the point of production of a barrel of taxable oil and gas is less than or equal to $100, $5 for each barrel of taxable oil; or

(2) if the producer's average monthly gross value at the point of production of a barrel of taxable oil and gas is more than $100 and less than $150, $5 for each barrel of taxable oil, reduced by one-tenth of the difference between that average monthly gross value at the point of production of a barrel of oil and $100."
Page 28, lines 3 - 14:
Delete all material and insert:

"(6) make written findings and recommendations to the Alaska State Legislature before

(A) January 31, 2015, or as soon thereafter as practicable,

regarding

(i) changes to the state's regulatory environment and permitting structure that would be conducive to encouraging increased investment while protecting the interests of the people of the state and the environment;

(ii) the status of the oil and gas industry labor pool in the state and the effectiveness of workforce development efforts by the state;

(iii) the status of the oil-and-gas-related infrastructure of the state, including a description of infrastructure deficiencies; and

(iv) the competitiveness of the state's fiscal oil and gas tax regime when compared to other regions of the world;

(B) January 31, 2021, or as soon thereafter as practicable,

regarding

(i) changes to the state's fiscal regime that would be conducive to increased and ongoing long-term investment in and development of the state's oil and gas resources;

(ii) alternative means for increasing the state's ability to
attract and maintain investment in and development of the state's oil and gas resources; and

(iii) a review of the current effectiveness and future value of any provisions of the state's oil and gas tax laws that are expiring in the next five years."

Page 29, following line 2:

Insert a new bill section to read:

"* Sec. 39. AS 43.98.040, 43.98.050, 43.98.060, and 43.98.070 are repealed February 28, 2021."

Renumber the following bill sections accordingly.
AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE PEGGY WILSON

TO: HCS CSSB 21(RES), Draft Version "K"

Page 26, lines 21 - 23:
Delete all material and insert:
"(1) one ex officio nonvoting member from the senate, selected by the
president of the senate;
(2) one ex officio nonvoting member from the house of
representatives, selected by the speaker of the house of representatives;"

Renumber the following paragraphs accordingly.

Page 26, lines 26 - 28:
Delete ", including one member who is a petroleum engineer, one member who is a
geologist, and one member who is a financial analyst"

Page 27, line 5:
Delete "(b)(1) and (3)"
Insert "(b)(4)"

Page 2, line 11:
Delete "(b)(1) and (3)"
Insert "(b)(4)"

Page 29, line 21:
Delete "AS 43.98.040(b)(1) and (3)"
Insert "AS 43.98.040(b)(4)"
AMENDMENT

OFFERED IN THE HOUSE

TO: HCS CSSB 21(RES), Draft Version "K"

Page 1, lines 11 - 12:
Delete "establishing the Oil and Gas Competitiveness Review Board;"

Page 25, following line 20:
Insert a new bill section to read:
"* Sec. 33. AS 43.55.180(b) is amended to read:
(b) The department shall prepare a report on or before the first day of the 2016
[2011] regular session of the legislature on the results of the study made under (a) of
this section, including recommendations as to whether any changes should be made to
this chapter. The department shall notify the legislature that the report prepared under
this subsection is available."

Page 26, line 16, through page 28, line 29:
Delete all material.

Renumber the following bill sections accordingly.

Page 29, lines 16 - 21:
Delete all material.

Renumber the following bill section accordingly.
AMENDMENT

OFFERED IN THE HOUSE

TO: HCS CSSB 21(RES), Draft Version "K"

1 Page 6, line 8:
2   Delete "35"
3   Insert "30"

5 Page 10, line 17:
6   Delete "35"
7   Insert "30"

9 Page 11, line 1:
10  Delete "35"
11  Insert "30"

13 Page 11, line 14:
14  Delete "35"
15  Insert "30"

17 Page 11, line 23:
18  Delete "35"
19  Insert "30"

21 Page 15, line 10:
22  Delete "35"
23  Insert "30"
AMENDMENT

OFFERED IN THE HOUSE

TO: HCS CSSB 21(RES), Draft Version "K"

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

Insert "relating to the determination of gross value at the point of production;"

Page 22, following line 5:

Insert new bill sections to read:

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

(a) For the purposes of AS 43.55.011 - 43.55.180, the gross value at the point
of production is calculated using the reasonable [ACTUAL] costs of transportation of
the oil or gas. The reasonable costs of transportation are the actual costs, except
when the

(1) parties to the transportation [SHIPPER] of oil or gas are [IS]
affiliated [WITH THE TRANSPORTATION CARRIER OR WITH A PERSON
THAT OWNS AN INTEREST IN THE TRANSPORTATION FACILITY];

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

and

(3) method [OR TERMS] of transportation of oil or gas is [ARE] not
reasonable in view of existing alternative methods of transportation [OPTIONS].

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

(b) If the department finds that the conditions [A CONDITION] in (a)(1), (2),
and [OR] (3) of this section are [IS] present, the [GROSS VALUE AT THE POINT
OF PRODUCTION IS CALCULATED USING THE ACTUAL COSTS OF
TRANSPORTATION, OR THE REASONABLE COSTS OF TRANSPORTATION
AS DETERMINED UNDER THIS SUBSECTION, WHICHEVER IS LOWER. THE department shall determine the reasonable costs of transportation, using the fair market value of like transportation, the fair market value of equally efficient and available alternative modes of transportation, or other reasonable methods. Transportation costs fixed by tariff rates [properly on file with] [THAT HAVE BEEN ADJUDICATED AS JUST AND REASONABLE BY] the Regulatory Commission of Alaska or [other] [ANOTHER] regulatory agency [AND TRANSPORTATION COSTS IN AN ARMS LENGTH TRANSACTION PAID BY PARTIES NOT AFFILIATED WITH AN OWNER OF THE METHOD OF TRANSPORTATION] shall be considered prima facie reasonable."

Renumber the following bill sections accordingly.

Page 29, line 6:
Delete "sec. 31"
Insert "sec. 33"

Page 29, following line 10:
Insert a new subsection to read:
"(d) Sections 31 and 32 of this Act apply to the transportation of oil and gas produced on and after January 1, 2014."

Page 29, line 20:
Delete "sec. 36"
Insert "sec. 38"

Page 29, line 24:
Delete "37"
Insert "39"

Page 29, line 25:
1. Delete "sec. 31"
2. Insert "sec. 33"
Insert new subsections to read:

* Sec. 34. AS 43.55.165 (a) is repealed and reenacted to read:

(a) Except as provided under (c) - (e) of this section, for the purposes of AS 43.55.160, a producer's lease expenditures for a calendar year are the ordinary and necessary costs upstream of the point of production of oil and gas that are incurred during the calendar year by the producer after March 31, 2006, and that are direct costs of exploring for, developing, or producing oil or gas deposits located within the producer's leases or properties in the state or, in the case of land in which the producer does not own a working interest, that are direct costs of exploring for oil or gas deposits located within other land in the state. In determining whether costs are lease expenditures, the department shall consider, among other factors,

(1) the typical industry practices and standards in the state that determine the costs, other than items listed in (e) of this section, that an operator is allowed to bill a working interest owner that is not the operator, under unit operating agreements or similar operating agreements that were in effect before December 2, 2005, and were subject to negotiation with at least one working interest owner with substantial bargaining power, other than the operator; and

(2) the standards adopted by the Department of Natural Resources that determine the costs, other than items listed in (e) of this section, that a lessee is allowed to deduct from revenue in calculating net profits under a lease issued under AS 38.05.180(f)(3)(B), (D), or (E).

* Sec. 35. AS 43.55.165 (b) is repealed and reenacted to read:

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

(1) direct costs include
(A) an expenditure, when incurred, to acquire an item if the acquisition
cost is otherwise a direct cost, notwithstanding that the expenditure may be
required to be capitalized rather than treated as an expense for financial
accounting or federal income tax purposes;
(B) payments of or in lieu of property taxes, sales and use taxes, motor
fuel taxes, and excise taxes;
(C) a reasonable allowance, as determined under regulations adopted
by the department, for overhead expenses directly related to exploring for,
developing, and producing oil or gas deposits located within leases or
properties or other land in the state;
(2) an activity does not need to be physically located on, near, or within the
premises of the lease or property within which an oil or gas deposit being explored
for, developed, or produced is located in order for the cost of the activity to be a cost
upstream of the point of production of the oil or gas.

* Sec. 36. AS 43.55.165 (c) is repealed and reenacted to read:

(c) Subject to (g) and (h) of this section, if the department finds that the pertinent
provisions of a unit operating agreement or similar operating agreement are substantially
consistent with the department's determinations and standards under (a) of this section
concerning whether costs are lease expenditures, the department may authorize or require
a producer, subject to conditions prescribed under regulations adopted by the department,
to treat as that portion of its lease expenditures for a calendar year applicable to oil and
gas produced from a lease or property in the state only

(1) the costs, other than items listed in (e) of this section, that are incurred
by the operator during the calendar year and that
(A) are billable to the producer by the operator in accordance with
the terms of the agreement to which that lease or property is subject;
(B) for a producer that is the operator, would be billable to the
producer by the operator in accordance with the terms of the agreement to
which that lease or property is subject if the producer were not the
operator;
(C) would be billable to the producer by the operator in accordance with the terms of the agreement if that lease or property were subject to the agreement; or

(D) for a producer that is the operator, would be billable to the producer by the operator in accordance with the terms of the agreement if that lease or property were subject to the agreement and if the producer were not the operator; and

(2) a reasonable percentage, as determined under regulations adopted by the department, of the costs that are billable under (1) of this subsection as an allowance for overhead expenses directly related to exploring for, developing, and producing oil or gas deposits located within the lease or property, to the extent those expenses are not billable under the agreement.

* Sec. 37. AS 43.55.165 (d) is repealed and reenacted to read:

(d) Subject to (g) and (h) of this section, if the department makes the finding described in (c) of this section with respect to a unit operating agreement or similar operating agreement and, in addition, finds that at least one working interest owner party to the agreement, other than the operator, with substantial incentive and ability to effectively audit billings under the agreement in fact is effectively auditing billings under the agreement, the department may authorize or require a producer, subject to conditions prescribed under regulations adopted by the department, to treat as that portion of its lease expenditures for a calendar year applicable to oil and gas produced from a lease or property in the state only

(1) the costs, other than items listed in (e) of this section, that are incurred by the operator during the calendar year and that

(A) are billed to the producer by the operator under the agreement to which that lease or property is subject and are either not disputed by a working interest owner party to the agreement or are finally determined to be properly billable as a result of dispute resolution; or

(B) for a producer that is the operator, would be billable to the producer by the operator in accordance with the terms of the agreement to
which that lease or property is subject if the producer were not the
operator; and

(2) a reasonable percentage, as determined under regulations adopted by
the department, of the costs that are billed under (1) of this subsection as an
allowance for overhead expenses directly related to exploring for, developing, and
producing oil or gas deposits located within the lease or property, to the extent
those expenses are not billable under the agreement

Renumber following sections accordingly

Page 29, line 20 following “sec.”
Delete “36”
Insert “40”

Page 29, line 24 following “and”
Delete “37”
Insert “41”