AMENDMENT

OFFERED IN THE HOUSE

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

Page 17, following line 11:
Insert a new bill section to read:

"* Sec. 24. AS 43.55.024(d) is amended to read:

(d) A producer may not take a tax credit under (c) of this section for any
calendar year after the later of

(1) 2022 [2016]; or

(2) if the producer did not have commercial oil or gas production from
a lease or property in the state before April 1, 2006, the ninth calendar year after the
calendar year during which the producer first has commercial oil or gas production
before May 1, 2016, from at least one lease or property in the state."

Renumber the following bill sections accordingly.

Page 29, line 6:
Delete "sec. 31"
Insert "sec. 32"

Page 29, line 20:
Delete "sec. 36"
Insert "sec. 37"

Page 29, line 24:
Delete "28, and 37"
Insert "29, and 38"

Page 29, line 25:
Delete "31"
Insert "32"
AMENDMENT

OFFERED IN THE HOUSE BY REPRESENTATIVE SEATON

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

Page 1, line 11, following "properties;":
Insert "allowing the Alaska Industrial Development and Export Authority to issue bonds for an oil processing facility; creating a fund to finance construction or improvement of an oil or gas processing facility"

Page 28, following line 29:
Insert new bill sections to read:
"Sec. 37. AS 44.88.140(a) is amended to read:
(a) Except as provided in AS 29.45.030(a)(1) and AS 44.88.168, the real and personal property of the authority and its assets, income, and receipts are declared to be the property of a political subdivision of the state and, together with any project or development project financed under AS 44.88.155 - 44.88.159 or 44.88.172 - 44.88.177, and a leasehold interest created in a project or development project financed under AS 44.88.155 - 44.88.159 or 44.88.172 - 44.88.177, devoted to an essential public and governmental function and purpose, and the property, assets, income, receipts, project, development project, and leasehold interests shall be exempt from all taxes and special assessments of the state or a political subdivision of the state, including, without limitation, all boroughs, cities, municipalities, school districts, public utility districts, and other taxing units. All bonds of the authority are declared to be issued by a political subdivision of the state and for an essential public and governmental purpose and to be a public instrumentality, and the bonds, and the interest on them, the income from them and the transfer of the bonds, and all assets, income, and receipts pledged to pay or secure the payments of the bonds, or interest on
them, shall at all times be exempt from taxation by or under the authority of the state, except for inheritance and estate taxes and taxes on transfers by or in contemplation of death. Nothing in this section affects or limits an exemption from license fees, property taxes, or excise, income, or any other taxes, provided under any other law, nor does it create a tax exemption with respect to the interest of any business enterprise or other person, other than the authority, in any property, assets, income, receipts, project, development project, or lease whether or not financed under this chapter. By January 10 of each year, the authority shall submit to the governor a report describing the nature and extent of the tax exemption of the property, assets, income, receipts, project, development project, and leasehold interests of the authority under this section. The authority shall notify the legislature that the report is available.

* Sec. 38. AS 44.88 is amended by adding a new section to read:

Sec. 44.88.168. Oil and gas infrastructure fund. (a) The oil and gas infrastructure fund is established in the authority. The oil and gas infrastructure fund consists of money appropriated to the authority for deposit in the fund, and money deposited in the fund by the authority. The fund is not an account in the revolving loan fund established in AS 44.88.060, and the authority shall account for the fund separately from the revolving fund. Money in the fund may be used to finance the construction and improvement of an oil or gas processing facility on the North Slope and flow lines and other surface infrastructure for the facility.

(b) Notwithstanding AS 44.88.140, the state or a political subdivision of the state may levy a tax or special assessment on an oil or gas processing facility, flow lines, and other surface infrastructure for the facility financed by the oil and gas infrastructure fund.

(c) In this section, "North Slope" means that area of the state lying north of 68 degrees North latitude."

Renumber the following bill sections accordingly.

Page 29, following line 21:

Insert a new bill section to read:
28-GS1647K.29

"* Sec. 44. The uncodified law of the State of Alaska is amended by adding a new section to read:

**LEGISLATIVE APPROVAL; NORTH SLOPE OIL OR GAS PROCESSING FACILITY.** (a) The Alaska Industrial Development and Export Authority may issue bonds to finance the construction and improvement of an oil or gas processing facility on the Alaska North Slope and flow lines and other surface infrastructure for the facility. The processing facility, flow lines, and other surface infrastructure for the facility shall be used to secure bonds issued under this section. The principal amount of the bonds provided by the authority for the facility, flow lines, and other surface infrastructure may not exceed $200,000,000 and may include the costs of funding reserves and other costs of issuing the bonds that the authority considers reasonable and appropriate. Notwithstanding AS 44.88.140, an oil or gas processing facility, flow lines, and other surface infrastructure for the facility constructed or financed by the oil and gas infrastructure fund are subject to taxes and special assessments of the state or a political subdivision of the state.

(b) This section constitutes the legislative approval required by AS 44.88.095(g) and 44.88.690.

(c) The prohibition on the issuance of bonds in an amount exceeding $400,000,000 under AS 44.88.095 does not apply to bonds issued under this section, and the principal amount of bonds issued under this section may not be considered in determining whether the limit in AS 44.88.095 has been reached."

Renumber the following bill section accordingly.

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

OFFERED IN THE HOUSE

BY REPRESENTATIVE FEIGE

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

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"

1 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;"

2 Renumber the following paragraphs accordingly.

3 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"

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

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

6 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.
OFFERED IN THE HOUSE
TO: HCS CSSB 21(RES), Draft Version "K"

Page 1, line 11, following "properties;":
Insert "relating to the calculation of lease expenditures"

Page 25, following line 20:
Insert a new bill section to read:

"* Sec. 33. AS 43.55.165 is amended by adding new subsections to read:

(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).

(n) For purposes of (m) 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.

(o) On or after January 1, 2014, 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 (m) 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.

(p) Subject to (g) and (h) of this section, if the department makes the finding described in (o) 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 the following bill sections accordingly.

Page 29, line 1:
Delete "and 43.55.160(c)"
Insert "43.55.160(c), 43.55.165(a), 43.55.165(b), 43.55.165(c), and 43.55.165(d)"

Page 29, line 20:
Delete "sec. 36"
Insert "sec. 37"

Page 29, line 24:
Delete "37"
Insert "38"
Offered in the House

To: HCS CS SB 21 (RES) Work Draft K

Page 25, following line 20

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”
Page 18, line 1, following “2013”

Insert “from leases or properties north of 68 degrees North latitude.”

Page 18, line 1, following “not”

Insert “be applied against the tax calculated under AS 43.55.011(f). A tax credit authorized by the subsection may not”

Page 18, line 2, following “below”

Insert “the amount calculated under AS 43.55.011(f)”

Delete “zero”
AMENDMENT

OFFERED IN THE HOUSE

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

Page 6, line 8:
1. Delete "35"
2. Insert "36"

Page 10, line 17:
3. Delete "35"
4. Insert "36"

Page 11, line 1:
5. Delete "35"
6. Insert "36"

Page 11, line 14:
7. Delete "35"
8. Insert "36"

Page 11, line 23:
9. Delete "35"
10. Insert "36"

Page 15, line 10:
11. Delete "35"
12. Insert "36"