

HOUSE BILL NO. 189

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVES CRAWFORD, Kerttula, Buch, Cissna, Doogan, Gara, Gardner, Gruenberg, Guttenberg, Holmes, Kawasaki, Petersen, Salmon, Tuck

Introduced: 3/13/09

Referred: Resources, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act eliminating the concluding date that applies to calculate a producer's total lease**
2 **expenditures for purposes of administration of the oil and gas production tax during the**
3 **initial years of that tax, thereby allowing an indefinite continuation of a special formula**
4 **to determine the amount of lease expenditures that may be taken as a deduction when**
5 **computing the production tax value of oil and gas; and providing for an effective date."**

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

7 *** Section 1.** AS 43.55.165(j) is amended to read:

8 (j) For purposes of AS 43.55.160, for a calendar year after 2006 [AND
9 BEFORE 2010], a producer's total lease expenditures, before adjustment under
10 AS 43.55.170, that are applicable to oil and gas produced by the producer from all
11 leases or properties from which 1,000,000,000 BTU equivalent barrels of oil or gas
12 have been cumulatively produced by the close of 2006 and from which the average
13 daily oil and gas production during 2006 exceeded 100,000 BTU equivalent barrels as

1 the unit boundaries were defined on January 1, 2007, are determined under this
2 subsection and (k) of this section. Except as otherwise provided under (k) of this
3 section, the producer's total lease expenditures, other than qualified capital
4 expenditures, (1) for calendar year 2007, are equal to the product of 1.37 multiplied by
5 the total lease expenditures for calendar year 2006, other than qualified capital
6 expenditures, that are applicable to oil and gas produced by the producer from all
7 leases or properties within the unit, as reported on the producer's statement under
8 AS 43.55.030(a) for calendar year 2006, and (2) for a calendar year after 2007, are
9 equal to the product of 1.03 multiplied by the total lease expenditures, other than
10 qualified capital expenditures, determined for the previous calendar year under this
11 subsection. The producer's total lease expenditures for a calendar year after 2006 that
12 are applicable to oil and gas produced by the producer from all leases or properties
13 within a unit subject to this subsection are the sum of the producer's qualified capital
14 expenditures incurred during the calendar year that are applicable to that oil and gas
15 plus the lease expenditures, other than qualified capital expenditures, that are
16 applicable to that oil and gas as determined under this subsection and (k) of this
17 section. If a producer whose lease expenditures for 2006 are used to determine lease
18 expenditures for a later calendar year under this subsection transfers an interest in an
19 affected lease or property to a different producer or if the unit area of the applicable
20 unit is changed from the area as it existed on December 31, 2006, the transferee's lease
21 expenditures applicable to oil and gas produced by the transferee from the lease or
22 property and a producer's lease expenditures applicable to oil or gas produced from a
23 lease or property within a unit area as it existed on December 31, 2006, continue to be
24 determined under this subsection using those 2006 lease expenditures. In this
25 subsection, "qualified capital expenditures" has the meaning given in AS 43.55.023.

26 * **Sec. 2.** This Act takes effect immediately under AS 01.10.070(c).