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OFFICE OF THE LIEUTENANT GOVERNOR  
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MEMORANDUM

**TO:** Jerry Burnett, AAC Contact  
Department of Revenue

**FROM:** Scott Meriwether  
Special Assistant   
907.465.3509

**DATE:** November 29, 2013

**RE:** Filed Permanent Regulations: Department of Revenue

Regulations re: oil and gas production tax: 15 AAC 55.206 - 15 AAC 55.215; 15 AAC 55.224; 15 AAC 55.335; 15 AAC 55.375; 15 AAC 55.381; 15 AAC 55.410(c); 15 AAC 55.431; 15 AAC 55.511; 15 AAC 55.520; 15 AAC 55.815; 15 AAC 55.900(a)(43),(b)(13)

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Attorney General File:	JU2013200349
Regulation Filed:	11/25/2013
Effective Date:	12/25/2013
Print:	208, January 2014

cc with enclosures:

Linda Miller, Department of Law  
Jim Pound, Administrative Regulation Review Committee  
Judy Herndon, LexisNexis

ORDER ADOPTING CHANGES TO  
REGULATIONS OF THE DEPARTMENT OF REVENUE

The attached forty-nine pages of regulations, dealing with the oil and gas production tax, are adopted and certified to be a correct copy of the regulation changes that the Department of Revenue adopts under the authority of AS 43.05.080, AS 43.55.011, AS 43.55.020, AS 43.55.023, AS 43.55.024, AS 43.55.025, AS 43.55.030, AS 43.55.110, AS 43.55.160, AS 43.55.165, AS 43.55.180, and AS 43.55.900, and after compliance with the Administrative Procedure Act (AS 44.62), specifically including notice under AS 44.62.190 and 44.62.200 and opportunity for public comment under AS 44.62.210.

This action is not expected to require an increased appropriation.

In considering public comments, the Department of Revenue paid special attention to the cost to private persons of the regulatory action being taken.

The regulation changes adopted under this order take effect on the 30th day after they have been filed by the lieutenant governor, as provided in AS 44.62.180.

DATE: October 30, 2013  
Juneau, Alaska

  
Angela M. Rodell  
Acting Commissioner  
Department of Revenue

FILING CERTIFICATION

I, Mead Treadwell, Lieutenant Governor for the State of Alaska, certify that on 25 November, 20 13, at 10:25 a.m., I filed the attached regulations according to the provisions of AS 44.62.040 - 44.62.120.

  
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Lieutenant Governor

Effective: December 25, 2013

Register: 208, January 2014

The chapter heading of 15 AAC is changed to read:

**Chapter 55. Oil and Gas [PROPERTIES] Production Tax and Oil Surcharge.**

15 AAC 55.206(a) is amended to read:

(a) A producer or, under AS 43.55.160(d), an explorer shall calculate a single production tax value for a calendar year, under AS 43.55.160(a)(1), and for a month before January 2014, under AS 43.55.160(a)(2), for each segment.

15 AAC 55.206(c) is amended to read:

(c) For purposes of this section,

(1) except as otherwise provided under (2) of this subsection, each of the following is a segment for a producer:

(A) all oil and gas, if any, taxable under AS 43.55.011(e), other than gas subject to AS 43.55.011(o), that the producer produces from leases or properties in the state that include land north of 68 degrees North latitude;

(B) all oil and gas, if any, taxable under AS 43.55.011(e), other than gas subject to AS 43.55.011(o) or oil or gas subject to AS 43.55.011(p), that the producer produces from leases or properties in the state outside the Cook Inlet sedimentary basin no part of which is north of 68 degrees North latitude, for a calendar year before or during the last calendar year under AS 43.55.024(b) for which the producer could take a tax credit under AS 43.55.024(a);



(C) oil, if any, taxable under AS 43.55.011(e) that the producer produces before 2022 from each lease or property in the Cook Inlet sedimentary basin; for purposes of this paragraph, oil produced from each lease or property constitutes a separate segment;

(D) gas, if any, taxable under AS 43.55.011(e) that the producer produces before 2022 from each lease or property in the Cook Inlet sedimentary basin; for purposes of this paragraph, gas produced from each lease or property constitutes a separate segment;

(E) gas, if any, taxable under AS 43.55.011(e) that the producer produces before 2022 from each lease or property in the state outside the Cook Inlet sedimentary basin and that is used in the state, other than gas subject to AS 43.55.011(p); for purposes of this paragraph, gas produced from each lease or property constitutes a separate segment;

(F) all oil and gas, if any, taxable under AS 43.55.011(e) and subject to AS 43.55.011(p) that the producer produces;

(G) all oil and gas, if any, taxable under AS 43.55.011(e) that the producer produces from leases or properties in the state no part of which is north of 68 degrees North latitude, other than oil or gas described in (B), (C), (D), (E), or (F) of this paragraph;

(2) if a producer or explorer does not produce any oil or gas from leases or properties in the

(A) state that include land north of 68 degrees North latitude, the area of the state north of 68 degrees North latitude is a segment for the producer or explorer;

(B) state outside the Cook Inlet sedimentary basin no part of which is north of 68 degrees North latitude, the area of the state outside the Cook Inlet sedimentary basin and not including any land north of 68 degrees North latitude is a segment for the producer or explorer for a calendar year before or during the latest of

(i) 2021;

(ii) the last calendar year under AS 43.55.024(b) for which the producer could take a tax credit under AS 43.55.024(a); and

(iii) the last calendar year for which AS 43.55.011(p) could limit the levy of tax under AS 43.55.011(e) for any of the producer's oil or gas;

(C) Cook Inlet sedimentary basin, the Cook Inlet sedimentary basin is a segment for the producer or explorer for a calendar year before or during the latest of

(i) 2021;

(ii) the last calendar year under AS 43.55.024(b) for which the producer could take a tax credit under AS 43.55.024(a); and

(iii) the last calendar year for which AS 43.55.011(p) could limit the levy of tax under AS 43.55.011(e) for any of the producer's oil or gas;

(D) state no part of which is north of 68 degrees North latitude, the area of the state not including any land north of 68 degrees North latitude is a segment for the producer or explorer for a calendar year after the latest of

(i) 2021;

(ii) the last calendar year under AS 43.55.024(b) for which the producer could take a tax credit under AS 43.55.024(a); and

(iii) the last calendar year for which AS 43.55.011(p) could limit the levy of tax under AS 43.55.011(e) for any of the producer's oil or gas.

15 AAC 55.206(d) is amended to read:

(d) For leases or properties in the Cook Inlet sedimentary basin that first commenced commercial production of oil or gas before April 1, 2006, unless otherwise approved or required by the department, **before 2022** the producer shall continue to treat as a single lease or property each tract, group of tracts, participating area, or unit that the producer consistently treated, subject to final audit resolution, as a single lease or property for purposes of calculating an economic limit factor under former AS 43.55.013.



Production of oil or gas from a lease or property in the Cook Inlet sedimentary basin that first commences commercial production of oil or gas on or after April 1, 2006, and that corresponds to a participating area or unit approved by the Department of Natural Resources under AS 38.05.180, other than a lease or property for which the producer calculated an economic limit factor under former AS 43.55.013, must be treated **before 2022** as production from a distinct lease or property.

15 AAC 55.206(e) is amended to read:

(e) Except as otherwise provided under (f) of this section,

(1) for gas used in the state and produced from leases or properties outside the Cook Inlet sedimentary basin that first commenced commercial gas production before April 1, 2006, unless otherwise approved or required by the department, **before 2022** the producer shall continue to treat as a single lease or property each tract, group of tracts, participating area, or unit that the producer consistently treated, subject to final audit resolution, as a single lease or property for purposes of calculating an economic limit factor under former AS 43.55.013;

(2) production of gas used in the state from a lease or property outside the Cook Inlet sedimentary basin that first commences commercial production on or after April 1, 2006, and that corresponds to a participating area or unit approved by the Department of Natural Resources under AS 38.05.180, other than a lease or property for

which the producer calculated an economic limit factor under former AS 43.55.013, must be treated **before 2022** as production from a distinct lease or property.

15 AAC 55.206(f) is amended to read:

(f) For purposes of this section and 15 AAC 55.215, a unit, **other than a unit within the Cook Inlet sedimentary basin before 2022**, [OUTSIDE THE COOK INLET SEDIMENTARY BASIN] may be treated as a single lease or property even if it contains multiple participating areas, unless any producer's ownership interests differ by **10** [FIVE] percentage points or more between two or more of the participating areas.

15 AAC 55.206(g) is amended to read:

(g) This section applies to oil and gas produced after June 20, 2007[, AND BEFORE JANUARY 1, 2022]. (Eff. 10/21/2009, Register 192; am 12/25/2013, Register 208 )

<b>Authority:</b>	AS 43.05.080	<b><u>AS 43.55.024</u></b>	AS 43.55.160
	AS 43.55.011	AS 43.55.110	AS 43.55.165

15 AAC 55 is amended by adding new sections to read:

**15 AAC 55.211. Gross value reductions.** (a) AS 43.55.160(f) and (g) apply only to oil and gas produced from a lease or property after December 31, 2013.



(b) For purposes of AS 43.55.160(f)(1) and (g), a lease that includes land that was within a unit on January 1, 2003 is not considered to be a lease that was within that unit on January 1, 2003, if

(1) the lease was issued following the expiration of a former lease containing the land and the lease at or after the time it was issued was not within that unit; or

(2) the lease was segregated from an existing lease into a separate and distinct lease comprising a portion of the land that was formerly within the existing lease and the lease after segregation was not within that unit.

(c) If a reservoir had been in a participating area before December 31, 2011, oil or gas produced from a participating area established after December 31, 2011 that contains all or part of the reservoir does not meet the criteria in AS 43.55.160(f)(2) for a reduction in the gross value at the point of production.

(d) For purposes of AS 43.55.160(f), the date that

(1) a participating area is established is the effective date specified in the written decision of the commissioner of natural resources approving the establishment of the participating area or, if no effective date is specified, the date of the decision;

(2) acreage is added to an existing participating area is the effective date specified in the written decision of the commissioner of natural resources approving the expansion of the participating area to include that acreage or, if no effective date is specified, the date of the decision.

(e) In AS 43.55.160(f)(3) and 15 AAC 55.212 - 15 AAC 55.213,

(1) oil or gas produced from acreage that was added to an existing participating area is oil or gas

(A) other than oil or gas that is not considered produced within the meaning of AS 43.55.020(e) and 15 AAC 55.151(e); and

(B) the volume of which is from acreage added to an existing participating area;

(2) the volume of oil or gas produced is from acreage added to an existing participating area only if the oil or gas is produced from a well with producing intervals that are all within the acreage added to the existing participating area;

(3) acreage added to an existing participating area is the portion of a reservoir or reservoirs that an existing participating area is expanded to include, unless the portion had previously been excluded from the participating area after having been included in the participating area.

(f) The provisions of AS 43.55.160(g) apply only to oil and gas that qualify for a reduction in gross value at the point of production under AS 43.55.160(f)(1) and that are produced from a unit made up solely of oil and gas leases issued by the Department of Natural Resources. For purposes of AS 43.55.160(g), a royalty share does not include a share of the net profit derived from a lease.

(g) Except as otherwise provided in this subsection, a 20 percent reduction in the gross value at the point of production under AS 43.55.160(f) is calculated separately for



the qualifying oil and gas produced from each lease or property subject to AS 43.55.160(f)(1) but not AS 43.55.160(g), each participating area subject to AS 43.55.160(f)(2), and each addition of acreage subject to AS 43.55.160(f)(3). Oil and gas that qualify under more than one provision of AS 43.55.160(f)(1), (2), or (3), but not AS 43.55.160(g), may receive no more than a single 20 percent reduction in the gross value at the point of production. A 30 percent reduction in the gross value at the point of production is calculated separately for the qualifying oil and gas produced from each lease or property subject to both AS 43.55.160(f)(1) and (g). Oil or gas that qualifies under both AS 43.55.160(f)(1) and (g) and that also qualifies under AS 43.55.160(f)(2) or (3) may receive no more than a single 30 percent reduction in the gross value at the point of production. No reduction in the gross value at the point of production is calculated under AS 43.55.160(f) or (g) for oil or gas produced from a lease or property subject to AS 43.55.160(f)(1) or subject to both AS 43.55.160(f)(1) and (g), from a participating area subject to AS 43.55.160(f)(2), or from an addition of acreage subject to AS 43.55.160(f)(3) if the gross value at the point of production is negative.

(h) The gross value at the point of production of oil or gas is reduced under AS 43.55.160(f) or (g) only for the purpose of calculating an annual production tax value under AS 43.55.160(a)(1)(A). The gross value at the point of production of oil is not reduced under AS 43.55.160(f) or (g) for the purpose of calculating an average gross value at the point of production of oil for a month under AS 43.55.024(j). (Eff.

12/25/2013, Register 208 )



Authority: AS 43.05.080 AS 43.55.110 AS 43.55.160

**15 AAC 55.212. Procedures relating to gross value reductions.** (a) At any time

(1) a producer may request in writing the department's determination for purposes of

(A) AS 43.55.160(f)(1), or for purposes of AS 43.55.160(f)(1) and (g), that a specified lease or property from which the producer produces or plans to produce oil or gas does not contain a lease that was within a unit on January 1, 2003;

(B) AS 43.55.160(f)(2), that a specified participating area from which the producer produces or plans to produce oil or gas was established after December 31, 2011, is within a unit formed under AS 38.05.180(p) before January 1, 2003, and does not contain a reservoir or portion of a reservoir that had previously been in a participating area established before December 31, 2011;

(C) AS 43.55.160(g), that a specified unit from which the producer produces or plans to produce oil or gas is made up solely of oil and gas leases issued by the Department of Natural Resources that have a royalty share of more than 12.5 percent in amount or value of the production removed or sold from the lease as determined under AS 38.05.180(f);

(2) on or after the date an application has been submitted to the Department of Natural Resources for approval by the Department of Natural Resources of an

expansion of an existing participating area after December 31, 2013, a producer with a working interest in the existing participating area or in the acreage added or proposed to be added to the existing participating area may request in writing the department's determination that the department will accept a specified methodology for purposes of demonstrating to the department under AS 43.55.160(f)(3) the volumes of oil and gas produced that are from the acreage added to the participating area after December 31, 2013.

(b) A producer that makes a written request under (a) of this section shall give written notice to all interested persons, as provided under (c) of this section, other than producers that have already joined in the request. The notice must inform the interested persons that (1) they have the right to be heard by the department on the request, by written submission within 30 days after receipt of the notice or within a longer period if extended by the department in its discretion; and (2) they will be bound by the department's determination, subject to any appeal rights under law, whether or not they choose to be heard. The notice must be accompanied by a copy of the request.

(c) For purposes of (b) of this section, interested persons are

(1) in the case of a request under (a)(1)(A) of this section, producers that have a working interest in the lease or property to which the request applies;

(2) in the case of a request under (a)(1)(B) of this section, producers that have a working interest in the participating area to which the request applies;



(3) in the case of a request under (a)(1)(C) of this section, producers that have a working interest in the unit to which the request applies;

(4) in the case of a request under (a)(2) of this section, producers that have a working interest in the existing participating area or the acreage added to which the request applies and, if not one of those producers, the operator of the unit containing the participating area.

(d) A request under (a) of this section must include written documentation sufficient to support the requested determination and must be accompanied by proof that the notice required under (b) and (c) of this section has been provided. The department may require that a person making or joining in the request submit additional information the department considers necessary to make a determination. The department may consider information in addition to that submitted by persons that have made or joined in a request or that seek to be heard on the request. If a person that makes or joins in a request under (a)(2) of this section or seeks to be heard on the request asks to limit the disclosure to other producers or to the operator of specified information that the person shows to be proprietary to that person, the department will

(1) provide that person a reasonable opportunity to be heard regarding the proposed disclosure and the conditions to be imposed under (2) of this subsection; and

(2) impose appropriate conditions

(A) limiting access to the information to those legal counsel, consultants, employees, officers, and agents of the other producers or the operator



who have a need to know that information for the purpose of supporting or being heard on the request; and

(B) providing that the information may be used only for the purpose of supporting or being heard on the request.

(e) If the department receives a request under (a)(1) of this section that meets the requirements of (b) - (d) of this section, the department will issue a written determination in response to the request. In the determination, the department will either (1) confirm that the lease or property, participating area, or unit specified in the request meets the respective criteria under (a)(1)(A), (B), or (C) of this section; or (2) reject the request on the ground that the lease or property, participating area, or unit specified in the request fails to meet the respective criteria under (a)(1)(A), (B), or (C) of this section or on the ground that insufficient information is available to support a determination under (1) of this subsection. A determination applies only to the facts in existence at the time the determination is made and is subject to change if the relevant facts change.

(f) If the department receives a request under (a)(2) of this section that meets the requirements of (b) - (d) of this section, the department will issue a written determination in response to the request, but not before the commissioner of natural resources has issued a written decision approving the expansion of the participating area to include the acreage to which the request applies. In the department's determination, the department will either

(1) accept the specified methodology, with or without adding conditions to the acceptance; or

(2) reject the specified methodology

(A) on the ground that it fails to comply with 15 AAC 55.213 or that it is otherwise inadequate to demonstrate the volume of oil or gas produced that is from the added acreage;

(B) on the ground that the demonstration required under (g) of this subsection has not been made; or

(C) on the ground that insufficient information is available to support a determination under (1) of this subsection.

(g) The documentation required under (d) of this section for a request under (a)(2) of this section must include a demonstration that the plans for the development and operation of the participating area have not been designed to cause drainage by expansion area wells of oil or gas from the pre-expansion area that could be more efficiently produced by wells with a producing interval in the pre-expansion area. After a methodology has been accepted by the department under (f)(1) of this section, if the plans for the development and operation of the participating area are materially changed, producers that use the methodology to determine the volumes of oil and gas that qualify for a reduction in gross value at the point of production under AS 43.55.160(f)(3) shall submit to the department, not later than 60 days after the changes are made, a demonstration that the changes to the plans have not been designed to cause drainage by



expansion area wells of oil or gas from the pre-expansion area that could be more efficiently produced by wells with a producing interval in the pre-expansion area. In this subsection,

(1) "expansion area well" means a well with producing intervals that are all within the acreage added to the existing participating area;

(2) "pre-expansion area" means the portion of the reservoir outside the acreage added to the existing participating area.

(h) A determination under (f)(1) of this section is subject to change or revocation if justified by new information about metering performance or other facts relevant to the adequacy of the methodology accepted to demonstrate the volume of oil or gas produced that is from the added acreage, or if the producers responsible for making a demonstration required under (g) of this section after acceptance of a methodology fail or are unable to make the required demonstration. A change in or revocation of a determination under this subsection will be made prospectively only, unless the determination was made in reliance on a producer's or operator's material misrepresentation or failure to disclose a material fact.

(i) A producer aggrieved by a determination under (e) or (f) of this section or by a change in or revocation of a determination under (h) of this section may appeal under 15 AAC 05.010.

(j) A determination by the department under (e)(1) of this section is not required in order for a producer of oil or gas that otherwise meets the criteria in AS 43.55.160(f)(1),



the criteria in AS 43.55.160(f)(2), or the criteria in AS 43.55.160(f)(1) and (g) to reduce the gross value at the point of production of the oil or gas in the calculation of an annual production tax value to the extent allowed under AS 43.55.160(f) and (g). Oil that meets the criteria in AS 43.55.160(f)(1), the criteria in AS 43.55.160(f)(2), or the criteria in AS 43.55.160(f)(1) and (g) does not qualify for a tax credit under AS 43.55.024(j) regardless of whether the department has issued a determination under (e)(1) of this section and regardless of whether the producer reduces the gross value at the point of production of the oil under AS 43.55.160(f) or under AS 43.55.160(f)(1) and (g) in the calculation of an annual production tax value.

(k) A determination by the department under (f)(1) of this section is required for a producer of oil or gas to demonstrate under AS 43.55.160(f)(3) that the volume of oil or gas produced is from acreage added to an existing participating area. In order to reduce under AS 43.55.160(f)(3) the gross value at the point of production of oil or gas produced from acreage that was added to an existing participating area after December 31, 2013, a producer shall determine the volumes of oil and gas that qualify for the reduction using the methodology applicable to that acreage that is accepted by the department under (f)(1) of this section. For periods earlier than the date the department's determination is issued during which the facilities or equipment necessary to implement the methodology were operational and for which the data necessary to use the methodology to determine the volumes of oil and gas that qualify for the reduction are available, a producer may use the methodology to determine the volumes of oil and gas that qualify for the reduction

that were produced before the determination is issued, but not for earlier than January 1 of the calendar year during which the request for determination was made under (a)(2) of this section.

(d) Regardless of whether the department has accepted under (f)(1) of this section a methodology applicable to acreage that was added after December 31, 2013 to an existing participating area north of 68 degrees North latitude, a producer's oil taxable under AS 43.55.011(e) that does not meet the criteria in AS 43.55.160(f)(1) or (2) and that is produced during a month after December 31, 2013 from the participating area qualifies for a tax credit under AS 43.55.024(j) if the producer has not elected to reduce under AS 43.55.160(f)(3) the gross value at the point of production of any of the oil or gas produced from the participating area. However, if a producer elects for any month to reduce under AS 43.55.160(f)(3) the gross value at the point of production of any oil or gas produced during the month from the participating area, the producer shall use the methodology accepted by the department under (f)(1) of this section to determine the volumes of oil and gas produced during that month and every succeeding month from the participating area that qualify for a reduction in gross value at the point of production under AS 43.55.160(f)(3). That volume of oil does not qualify for a tax credit under AS 43.55.024(j). In this subsection, "the participating area" means the existing participating area after expansion to include the acreage added after December 31, 2013. (Eff. 12/25/2013, Register 208 )

**Authority:** AS 43.05.080 AS 43.55.110 AS 43.55.160



**15 AAC 55.213. Methodologies under AS 43.55.160(f)(3).** (a) This section sets out requirements that must be met by a methodology to be accepted by the department under 15 AAC 55.212(f)(1).

(b) A methodology must provide for determining the amounts of oil and gas recovered each month from wells with producing intervals that are all within the acreage added to an existing participating area by

(1) continuous metering of the oil and of the gas, before commingling with produced fluids from other wells, by one or more multiphase flow metering systems that are demonstrated with a 90 percent or higher level of confidence to be accurate within plus or minus five percent and that meet standards and requirements relating to operation, procedures, equipment and materials, software, installation, performance, calibration, testing, field verification, monitoring, maintenance, sampling, correction to standard conditions, and reporting that the department determines are appropriate for the purposes of AS 43.55.160(f)(3); in determining what standards and requirements are appropriate, the department will consider the relevant portions of the first edition of chapter 20.3 of the American Petroleum Institute *Manual of Petroleum Measurement Standards* (January 2013), which is adopted by reference for that purpose; the accuracy standard of plus or minus five percent in this paragraph applies to oil, except that the accuracy standard applies to gas rather than oil during a time period during which the gross value at the point of production of the gas produced from the acreage added to the existing



participating area, other than gas produced before 2022 that is used in the state, exceeds the gross value at the point of production of the oil produced from that acreage;

(2) continuous metering of the oil and of the gas, after mechanical separation and before commingling with produced fluids from other wells, that

(A) uses equipment and procedures that are sufficient for custody transfer purposes; and

(B) is regulated by the Alaska Oil and Gas Conservation Commission under 20 AAC 25.228 as the measurement of oil and gas severed from the property or unit;

(3) continuous metering of the oil and of the gas, after mechanical separation and before commingling with produced fluids from other wells, that

(A) uses equipment and procedures that are sufficient for custody transfer purposes;

(B) is not regulated by the Alaska Oil and Gas Conservation Commission under 20 AAC 25.228 as the measurement of oil and gas severed from the property or unit; and

(C) meets the standards and requirements of 20 AAC 25.228, adopted by reference as amended from time to time, except that for this purpose the term "commission" in 20 AAC 25.228 is replaced with the term "Department of Revenue"; or

(4) another method of continuous metering of the oil and of the gas, before commingling with produced fluids from other wells, that

(A) is demonstrated with a 90 percent or higher level of confidence to meet the accuracy standard of plus or minus five percent set out in (1) of this subsection; and

(B) meets standards and requirements relating to operation, procedures, equipment and materials, software, installation, performance, calibration, testing, field verification, monitoring, maintenance, sampling, correction to standard conditions, and reporting that the department determines are appropriate for the purposes of AS 43.55.160(f)(3).

(c) The metering provisions of (b) of this section do not require separate metering of individual wells. The metering provisions of (b) of this section may be met by metering the combined flow from all of the wells with producing intervals that are all within the acreage added to an existing participating area, by separately metering the combined flows from subsets of the wells with producing intervals that are all within the acreage added to an existing participating area, by separately metering individual wells with producing intervals that are all within the acreage added to an existing participating area, or by a combination of separately metering the combined flows from subsets of the wells with producing intervals that are all within the acreage added to an existing participating area and separately metering individual wells with producing intervals that are all within the acreage added to an existing participating area.



(d) A methodology must provide for excluding any oil or gas that is not considered produced under AS 43.55.020(e) and 15 AAC 55.151(e). The amount excluded may not be less than the pro rata amount of the oil or gas, respectively, recovered from the entire participating area and not considered produced under AS 43.55.020(e) and 15 AAC 55.151(e).

(e) A methodology must provide for excluding any gas produced before 2022 that is used in the state. The amount excluded may not be less than the pro rata amount of the gas recovered from the entire participating area that is produced before 2022 and used in the state.

(f) If gas is run through a gas processing plant after being metered under (b) of this section, the methodology must include an acceptable method to adjust the metered amounts of oil and gas to account for the recovery of liquid hydrocarbons at the gas processing plant.

(g) A methodology that provides for metering under (b)(1) or (4) of this section must provide for subtracting from the metered amount of oil the shrinkage that occurs in the downstream mechanical separation process.

(h) A methodology must provide for a method to calculate an individual producer's share of the total volumes of oil and gas produced that are demonstrated to be from the acreage added to the existing participating area. (Eff. 12/25/2013, Register 208)

**Authority:** AS 43.05.080 AS 43.55.110 AS 43.55.160



**Editor's Note:** A copy of the relevant chapter of the American Petroleum Institute *Manual of Petroleum Measurement Standards*, Chapter 20.3, Measurement of Multiphase Flow (First Edition, January 2013) may be viewed during normal business hours at the Department of Revenue's Anchorage office, 550 W. 7th Ave., Suite 500. A copy may be obtained from the American Petroleum Institute, Techstreet, 3916 Ranchero Drive, Ann Arbor, MI 48108; telephone: 800-699-9277, <http://www.techstreet.com/api>.

15 AAC 55.215(a) is amended to read:

(a) For purposes of AS 43.55.160, a lease expenditure for a calendar year that is a cost of

(1) exploring for, developing, or producing oil or gas deposits located within a lease or property is considered a lease expenditure applicable to oil or gas produced from that lease or property during that calendar year, irrespective of whether any oil or gas is actually produced from that lease or property during that calendar year;

(2) exploring for oil or gas deposits located within land in the state other than a lease or property is considered a lease expenditure applicable to oil or gas produced from leases or properties during that calendar year in the area of the state explored, irrespective of whether any oil or gas is actually produced from leases or properties in that area during that calendar year; for purposes of this paragraph, **for a calendar year**

(A) to which (B) of this paragraph does not apply, an area of the state is either

(i) [(A)] land north of 68 degrees North latitude;

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

(iii) [(C)] the Cook Inlet sedimentary basin;

(B) after the latest of 2021, the last calendar year under AS 43.55.024(b) for which the producer could take a tax credit under AS 43.55.024(a), and the last calendar year for which AS 43.55.011(p) could limit the levy of tax under AS 43.55.011(e) for any of the producer's oil or gas, an area of the state is either

(i) land north of 68 degrees North latitude; or

(ii) land south of 68 degrees North latitude.

15 AAC 55.215(b) is amended to read:

(b) A producer's lease expenditure incurred before 2022 that is a cost of exploring for, developing, or producing oil or gas deposits located within a lease or property in the Cook Inlet sedimentary basin from which both oil and gas are produced by the producer during the calendar year that the lease expenditure is incurred, is allocated between the oil and gas proportionally to the respective amounts of oil and gas in BTU equivalent barrels produced by the producer from the lease or property during the calendar year and taxable under AS 43.55.011(e). A producer's lease expenditure

incurred before 2022 that is a cost of exploring for oil or gas deposits located within land in the Cook Inlet sedimentary basin that is not a lease or property is allocated among leases or properties in the Cook Inlet sedimentary basin and between oil and gas produced from each of those leases or properties proportionally to the respective amounts, if any, of oil and gas in BTU equivalent barrels produced by the producer from those leases or properties during the calendar year the lease expenditure is incurred and taxable under AS 43.55.011(e).

15 AAC 55.215(d) is amended to read:

(d) A producer's lease expenditure incurred before 2022 that is a cost of exploring for, developing, or producing oil or gas deposits located within a lease or property outside the Cook Inlet sedimentary basin from which both (1) gas used in the state; and (2) oil or other gas are produced by the producer during the calendar year after June 30, 2007 in which the lease expenditure is incurred, is allocated between the categories in (1) and (2) of this subsection proportionally to the respective amounts of gas and of oil or other gas in each category, in BTU equivalent barrels, produced by the producer from the lease or property during the calendar year and taxable under AS 43.55.011(e).

15 AAC 55.215(e) is amended to read:



(e) A producer's lease expenditure incurred before 2022 that is a cost of exploring for oil or gas deposits located within land that is not a lease or property and is in an area of the state described in (a)(2)(A)(i) or (ii) [(a)(2)(A) or (B)] of this section is allocated among (1) gas used in the state produced from each lease or property in that area; and (2) oil and other gas produced from leases or properties in that area, proportionally to the respective amounts, if any, of gas used in the state and of oil or other gas, in BTU equivalent barrels, produced by the producer from the leases or properties during the calendar year after June 30, 2007 in which the lease expenditure is incurred and taxable under AS 43.55.011(e).

15 AAC 55.215 is amended by adding a new subsection to read:

(g) A producer's lease expenditure incurred during a calendar year during which the producer produces oil or gas that is subject to AS 43.55.011(p), that is a cost of exploring for oil or gas deposits located within land that is not a lease or property and is in the area of the state described in (a)(2)(A)(ii) of this section is allocated among (1) oil and gas produced from the leases or properties from which oil and gas subject to AS 43.55.011(p) are produced; and (2) oil and gas produced from other leases or properties in that area, proportionally to the respective amounts, if any, of the oil and gas described in (1) of this subsection and of the oil and gas described in (2) of this subsection, in BTU equivalent barrels, produced by the producer during the calendar year

in which the lease expenditure is incurred and taxable under AS 43.55.011(e). (Eff.

5/3/2007, Register 182; am 10/21/2009, Register 192; am 12/25/2013, Register 208)

Authority:	AS 43.05.080	<u>AS 43.55.024</u>	AS 43.55.160
	AS 43.55.011	AS 43.55.110	AS 43.55.165

The section heading for 15 AAC 55.224 is changed to read:

**15 AAC 55.224. Lease expenditures incurred after June 30, 2007, for Cook Inlet, [AND] for gas used in the state, and for oil and gas subject to AS 43.55.011(p).**

15 AAC 55.224(a) is amended to read:

(a) For purposes of the calculations required under (b) or (d) of this section, in calculating an annual production tax value for a segment described in 15 AAC 55.206(c)(1)(C), (D), [OR] (E), or (F), a producer shall deduct applicable adjusted lease expenditures for the calendar year to the maximum extent that deductibility is allowed under applicable law, including (b) or (d), as applicable, of this section.

15 AAC 55.224(b) is amended to read:

(b) For a calendar year before 2014 for which a limitation under AS 43.55.011(j), (k), [OR] (o), or (p) on the tax levied by AS 43.55.011(e) has the effect of reducing the producer's tax on oil or gas produced from one or more leases or properties below the amount of the tax that would be levied in the absence of that limitation, the producer shall



account under this subsection for adjusted lease expenditures that are excess adjusted lease expenditures, if any, under 15 AAC 55.206(b) in the calculation of annual production tax values for segments described in 15 AAC 55.206(c)(1)(C), (D), [OR] (E), or (F). Only the amount, if any, of those excess adjusted lease expenditures that is calculated under (6) of this subsection may be used to establish a carried-forward annual loss under AS 43.55.023(b). The calculations to be performed for the accounting under this subsection are as follows:

(1) calculate the total amount of excess adjusted lease expenditures subject to this subsection;

(2) multiply that total amount by 25 percent;

(3) calculate for each segment [LEASE OR PROPERTY] the amount by which a limitation under AS 43.55.011(j), (k), [OR] (o), or (p) reduces the amount of the producer's tax otherwise levied by AS 43.55.011(e);

(4) sum the total of the reductions calculated under (3) of this subsection for all affected segments [LEASES OR PROPERTIES];

(5) if the amount calculated under (2) of this subsection is

(A) greater than the amount calculated under (4) of this subsection, subtract the latter amount from the former amount;

(B) equal to or less than the amount calculated under (4) of this subsection, consider the amount calculated under this paragraph to be zero;

(6) multiply the amount calculated under (5) of this subsection by four.



15 AAC 55.224(c) is amended to read:

(c) This section applies to lease expenditures incurred after June 30, 2007[, AND BEFORE JANUARY 1, 2022].

15 AAC 55.224 is amended by adding a new subsection to read:

(d) For a calendar year after 2013 for which a limitation under AS 43.55.011(j), (k), (o), or (p) on the tax levied by AS 43.55.011(e) has the effect of reducing the producer's tax on oil or gas produced from one or more leases or properties below the amount of the tax that would be levied in the absence of that limitation, the producer shall account under this subsection for adjusted lease expenditures that are excess adjusted lease expenditures, if any, under 15 AAC 55.206(b) in the calculation of annual production tax values for segments described in 15 AAC 55.206(c)(1)(C), (D), (E), or (F). Only the amount, if any, of those excess adjusted lease expenditures that is calculated under (7) of this subsection may be used to establish a carried-forward annual loss under AS 43.55.023(b). The fraction of the amount calculated under (7) of this subsection that is subject to a 25 percent tax credit under AS 43.55.023(b) is equal to the amount calculated under (1) of this subsection divided by the sum of the amounts calculated under (1) and (2) of this subsection. The fraction of the amount calculated under (7) of this subsection that is subject to a 45 percent tax credit under AS 43.55.023(b) in the case of lease expenditures incurred after December 31, 2013, and before January 1, 2016, or a

35 percent tax credit under AS 43.55.023(b) in the case of lease expenditures incurred after December 31, 2015, is equal to the amount calculated under (2) of this subsection divided by the sum of the amounts calculated under (1) and (2) of this subsection. The calculations to be performed for the accounting under this subsection are as follows:

(1) calculate the total amount of excess adjusted lease expenditures subject to this subsection for segments described in 15 AAC 55.206(c)(1)(C), (D), and (F) and for segments described in 15 AAC 55.206(c)(1)(E) for gas produced from leases or properties no part of which is north of 68 degrees North latitude;

(2) calculate the total amount of excess adjusted lease expenditures subject to this subsection for segments described in 15 AAC 55.206(c)(1)(E) for gas produced from leases or properties that include land north of 68 degrees North latitude;

(3) sum the amounts calculated under (1) and (2) of this subsection and multiply that sum by 35 percent;

(4) calculate for each segment the amount by which a limitation under AS 43.55.011(j), (k), (o), or (p) reduces the amount of the producer's tax otherwise levied by AS 43.55.011(e);

(5) sum the total of the reductions calculated under (4) of this subsection for all affected segments;

(6) if the amount calculated under (3) of this subsection is

(A) greater than the amount calculated under (5) of this subsection, subtract the latter amount from the former amount;



(B) equal to or less than the amount calculated under (5) of this subsection, consider the amount calculated under this paragraph to be zero;

(7) divide the amount calculated under (6) of this subsection by 0.35.

(Eff. 10/21/2009, Register 192; am 12 / 25 /2013, Register 208)

<b>Authority:</b>	AS 43.05.080	<u>AS 43.55.024</u>	AS 43.55.160
	AS 43.55.011	AS 43.55.110	AS 43.55.165

15 AAC 55.335(c) is amended to read:

(c) An application under AS 43.55.024(e) must be filed with the department, as part of the statement described in AS 43.55.030(a), on or before March 31 of the calendar year after the calendar year for which the producer seeks the department's determination that the producer was qualified under AS 43.55.024(a) or (c) [AS 43.55.024]. The application must include

(1) the producer's certification that the producer's operation in the state or its ownership of an interest in a lease or property in the state as a distinct producer is not for the purpose of dividing among multiple producer entities any production tax liability under AS 43.55.011(e) or, for a period before July 1, 2007, under AS 43.55.011(f), as that subsection read on June 30, 2007, that would otherwise be attributed to a single producer;

(2) information requested on the application form prescribed by the department concerning the producer's transactions or relationships affecting

- (A) interests in leases or properties in the state;
  - (B) rights to oil or gas production from leases or properties in the state; and
  - (C) interests in other business entities or interests of other business entities in the producer; and
- (3) other pertinent information required by the department.

15 AAC 55.335 is amended by adding new subsections to read:

(d) AS 43.55.024(i) applies only to oil produced from a lease or property north of 68 degrees North latitude.

(e) Subject to (g) of this section, the total amount of a producer's tax credits for a calendar year under AS 43.55.024(j) is determined by

(1) calculating for each month of the calendar year the number of barrels of oil taxable under AS 43.55.011(e) that the producer produces during the month from leases or properties north of 68 degrees North latitude and that does not meet the criteria in any of AS 43.55.160(f)(1), (2), or (3); for purposes of this paragraph, oil does not meet the criteria in AS 43.55.160(f)(3) if

(A) the producer has not reduced the gross value at the point of production of the oil under AS 43.55.160(f)(3); and



(B) the oil is not included in the volume of oil the producer is required under 15 AAC 55.212(I) to determine qualifies for a reduction in gross value at the point of production under AS 43.55.160(f)(3);

(2) multiplying for each month of the calendar year the number of barrels of oil calculated for the month under (1) of this subsection by the applicable dollar amount per barrel for the month under AS 43.55.024(j)(1) – (9) using the average gross value at the point of production for the month calculated under (f) of this section;

(3) summing over all months of the calendar year the products calculated for each month under (2) of this subsection.

(f) For purposes of AS 43.55.024(j) and of (e) of this section, the average gross value at the point of production for a month is calculated by

(1) calculating the total gross value at the point of production of the oil taxable under AS 43.55.011(e) that the producer produces during the month from leases or properties north of 68 degrees North latitude and that does not meet the criteria in any of AS 43.55.160(f)(1), (2), or (3); for purposes of this paragraph, oil does not meet the criteria in AS 43.55.160(f)(3) if

(A) the producer has not reduced the gross value at the point of production of the oil under AS 43.55.160(f)(3); and

(B) the oil is not included in the volume of oil the producer is required under 15 AAC 55.212(l) to determine qualifies for a reduction in gross value at the point of production under AS 43.55.160(f)(3);

(2) dividing the amount calculated under (1) of this subsection by the number of barrels of oil calculated for the month under (e)(1) of this section.

(g) If a producer's application of tax credits other than a tax credit under AS 43.55.024(j) against a tax levied by AS 43.55.011(e) reduces the producer's tax liability to the amount calculated for a calendar year after 2013 under AS 43.55.011(f) or less, the producer may not apply a tax credit under AS 43.55.024(j) against the tax for that calendar year. If a producer's application of tax credits other than a tax credit under AS 43.55.024(j) against a tax levied by AS 43.55.011(e) does not reduce the producer's tax liability to the amount calculated for a calendar year after 2013 under AS 43.55.011(f) or less, the producer may apply against the tax no more than the portion of a tax credit under AS 43.55.024(j) that is equal to the difference between the amount calculated for the calendar year under AS 43.55.011(f) and the tax liability after reduction by application of tax credits other than a tax credit under AS 43.55.024(j). In calculating that reduction, if the tax credits to be applied include one or more tax credits subject to a percentage limitation under AS 38.05.180(i) or AS 43.55.023(e), calculation of the percentage limitations under 15 AAC 55.375(a) must take account of any tax credit or portion of a tax credit under AS 43.55.024(j) that the producer will apply against the



producer's tax, to the extent allowed under this subsection. (Eff. 5/3/2007, Register 182; am 10/21/2009, Register 192; am 12/25/2013, Register 208)

Authority:	AS 43.05.080	AS 43.55.024	AS 43.55.110
	<u>AS 43.55.011</u>	AS 43.55.030	<u>AS 43.55.160</u>

15 AAC 55.375(a) is amended to read:

(a) For purposes of applying a percentage limitation under AS 43.55.023(e) or AS 38.05.180(i) on the use of tax credits against a tax levied by AS 43.55.011(e), a producer shall, subject to 15 AAC 55.335(g),

(1) first, apply all tax credits allowable against the tax levied by AS 43.55.011(e) other than credits subject to a percentage limitation under AS 43.55.023(e) or AS 38.05.180(i);

(2) second, apply a credit subject to the percentage limitation under AS 38.05.180(i) against not more than 50 percent of the remaining tax liability under AS 43.55.011(e), if any;

(3) third, apply a credit subject to a percentage limitation under AS 43.55.023(e) against not more than 20 percent of the balance of the remaining tax liability under AS 43.55.011(e), if any.

15 AAC 55.375(c) is amended to read:

(c) Except as provided under (a) and (b) of this section, **and subject to 15 AAC 55.335(g)**, a producer may apply tax credits in any order, if the producer submits with the statement required under AS 43.55.030(a) a separate schedule setting out the order in which the tax credits are applied. In the absence of that schedule, tax credits must be applied in the following order:

- (1) first, any credit under AS 43.55.024(a);
- (2) second, any credit under AS 43.55.024(c);
- (3) third, **for a calendar year after 2013**, any credit under

**AS 43.55.024(i);**

- (4) **fourth, any credit under** AS 43.55.019;
- (5) **fifth, for a calendar year after 2013, any credit under**

**AS 43.55.024(i);**

- (6) **sixth** [(4) FOURTH], any credit under AS 43.55.025;
- (7) **seventh** [(5) FIFTH], **for a calendar year before 2014**, any credit

under AS 43.55.023(i);

- (8) **eighth** [(6) SIXTH], any credit under AS 43.55.023(a);
- (9) **ninth** [(7) SEVENTH], any credit under AS 43.55.023(l);
- (10) **tenth** [(8) EIGHTH], any credit under AS 43.55.023(b);
- (11) **eleventh** [(9) NINTH], any credit under AS 41.09.010;
- (12) **twelfth** [(10) TENTH], any credit under AS 38.05.180(i);
- (13) **thirteenth** [(11) ELEVENTH], any credit under AS 43.55.023(e).



(Eff. 5/3/2007, Register 182; am 10/21/2009, Register 192; am 9/14/2012, Register 203; am 12/25/2013, Register 208)

<b>Authority:</b>	AS 43.05.080	AS 43.55.024	AS 43.55.110
	AS 43.55.023	AS 43.55.025	

15 AAC 55.381(a) is amended to read:

(a) For purposes of the

(1) calculation required under AS 43.55.020(a)(1) or (5), the amount of the tax credits that are allowed by law to be applied against the tax levied by AS 43.55.011(e) for a calendar year does not include any amount of a tax credit that the producer transfers to another person;

(2) installment payment required under AS 43.55.020(a)(3), a tax credit is not deductible in calculating the amount of the payment.

15 AAC 55.381(b) is amended to read:

(b) The provisions [PROVISION] of AS 43.55.020(a)(1) and (5) prescribing a limit of 1/12 of certain tax credits do [DOES] not apply to a tax credit shown on a transferable tax credit certificate that has been issued under AS 43.55.023(d) or a tax credit for which a production tax credit certificate has been issued under AS 43.55.025(f). Subject to the provisions [PROVISION] of AS 43.55.020(a)(1) and (5) that the amount of an installment payment may not be less than zero and subject to the 80 percent limitation provided under AS 43.55.023(e), in calculating the amount of an installment

payment under AS 43.55.020(a)(1) or (5) for a month, a producer that owns a transferable tax credit certificate or production tax credit certificate may subtract any percentage, irrespective of whether it is equal to or greater than 1/12, of the credit that was not previously subtracted, to the extent that the credit is allowed by law to be applied against the tax levied by AS 43.55.011(e) for the calendar year.

15 AAC 55.381(c) is amended to read:

(c) If in calculating the amount of an installment payment for a month required under AS 43.55.020(a)(1) or (5), a producer is unable to subtract the full amount of tax credits described in AS 43.55.020(a)(1) or (5), the unused amount of tax credits is not considered an overpayment, does not accrue interest, and except as provided under (b) of this section may not be carried forward to or used in calculating an installment payment for a future month. The amount of tax credits subtracted in calculating the amount of an installment payment does not affect the availability of tax credits to be applied as allowed by law against an annual tax liability under AS 43.55.011 in calculating the amount due under AS 43.55.020(a)(4).

15 AAC 55.381 is amended by adding new subsections to read:

(e) Subject to the provision of AS 43.55.020(a)(5) that the amount of an installment payment may not be less than zero, and subject to the provision of AS 43.55.024(i) that a tax credit authorized by that subsection may not reduce a



producer's tax liability for a calendar year under AS 43.55.011(e) below zero, in calculating the amount of an installment payment under AS 43.55.020(a)(5) for each month of a calendar year, a producer may substitute the following amount for 1/12 of the tax credits under AS 43.55.024(i) that are allowed by law to be applied against the tax levied by AS 43.55.011(e) for the calendar year: the product of \$5 and the number of barrels of oil produced by the producer during the month that qualify for a tax credit under AS 43.55.024(i). A producer may not make a substitution under this subsection for a month of a calendar year unless the producer does so for every month of the calendar year.

(f) Subject to the provision of AS 43.55.020(a)(5) that the amount of an installment payment may not be less than zero, and subject to the provision of AS 43.55.024(j), as implemented by 15 AAC 55.335(g), that a tax credit authorized by that subsection may not reduce a producer's tax liability for a calendar year under AS 43.55.011(e) below the amount calculated under AS 43.55.011(f), in calculating the amount of an installment payment under AS 43.55.020(a)(5) for each month of a calendar year, a producer may substitute the amount calculated for the month under 15 AAC 55.335(e)(2) for 1/12 of the tax credits under AS 43.55.024(j) that are allowed by law to be applied against the tax levied by AS 43.55.011(e) for the calendar year. A producer may not make a substitution under this subsection for a month of a calendar

year unless the producer does so for every month of the calendar year. (Eff. 10/21/2009, Register 192; am 12 / 25 /2013, Register 208)

**Authority:** AS 43.05.080 AS 43.55.020 AS 43.55.110  
AS 43.55.011 AS 43.55.024

15 AAC 55.410 is amended by adding a new subsection to read:

(c) AS 43.55.011(e)(1) applies to oil and gas produced before January 1, 2014.  
AS 43.55.011(e)(2) applies to oil and gas produced after December 31, 2013. (Eff. 5/3/2007, Register 182; am 10/21/2009, Register 192; am 12 / 25 /2013, Register 208)

**Authority:** AS 43.05.080 AS 43.55.011 AS 43.55.110

The section heading for 15 AAC 55.431 is changed to read:

**15 AAC 55.431. Monthly tax amounts under AS 43.55.011(e) [AS 43.55.011(e)(2)] for oil and gas produced after June 30, 2007 and before January 1, 2014.**

15 AAC 55.431(a) is amended to read:

(a) The amount of tax determined under AS 43.55.011(g) for purposes of AS 43.55.011(e) [AS 43.55.011(e)(2)] is calculated separately for each segment under 15 AAC 55.206(c) for each month in a calendar year. The amount of tax for a segment for a month is equal to the monthly production tax value for the segment under



AS 43.55.160(a)(2) and 15 AAC 55.206, multiplied by the tax rate for the month calculated under AS 43.55.011(g).

15 AAC 55.431(d) is amended to read:

(d) This section applies to oil and gas produced after June 30, 2007, and before January 1, 2014. (Eff. 10/21/2009, Register 192; am 12/25/2013, Register 208)

**Authority:** AS 43.05.080 AS 43.55.110 AS 43.55.160  
AS 43.55.011

15 AAC 55.511(a) is amended to read:

**15 AAC 55.511. Installment payments of estimated tax for oil and gas produced after June 30, 2007.** (a) For purposes of the calculations [CALCULATION] described in AS 43.55.020(a)(1)(A)(ii) and (5)(A)(ii) for oil and gas produced after June 30, 2007, the gross value at the point of production of the oil and gas produced and the deductible adjusted lease expenditures are calculated only for oil and gas taxable under AS 43.55.011(e) and not subject to AS 43.55.011(f), [OR] (o), or (p).

15 AAC 55.511(b) is amended to read:

(b) For purposes of the calculations [CALCULATION] described in AS 43.55.020(a)(1)(B)(ii) and (5)(B)(ii) for oil and gas produced after June 30, 2007,

(1) the gross value at the point of production of the oil and gas produced is calculated only for oil and gas taxable under AS 43.55.011(e), subject to AS 43.55.011(f), and not subject to AS 43.55.011(o);

(2) the applicable percentage of the gross value at the point of production is determined under AS 43.55.011(f)(1) - (4) but substituting the phrase "the month for which the installment payment is calculated" for the phrase "the calendar year for which the tax is due";

(3) the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during a month is equal to the average spot price for ANS at the United States West Coast during the month as calculated under 15 AAC 55.171(m).

15 AAC 55.511(c) is amended to read:

(c) For purposes of the calculations [CALCULATION] described in AS 43.55.020(a)(1)(B)(iii) and (5)(B)(iii) for oil and gas produced after June 30, 2007, the gross value at the point of production of the oil and gas produced and the deductible adjusted lease expenditures are calculated only for oil and gas taxable under AS 43.55.011(e), subject to AS 43.55.011(f), and not subject to AS 43.55.011(o).

15 AAC 55.511(d) is amended to read:

(d) For purposes of the calculations [CALCULATION] described in AS 43.55.020(a)(1)(C)(ii) and (5)(C)(ii) for oil and gas produced after June 30, 2007, the



gross value at the point of production of the oil or gas produced and the deductible adjusted lease expenditures are calculated only for oil and gas taxable under AS 43.55.011(e) and subject to AS 43.55.011(j), (k), or (o).

15 AAC 55.511 is amended by adding new subsections to read:

(f) For purposes of the calculations described in AS 43.55.020(a)(1)(D)(i) and (ii) and (5)(D)(i) and (ii) for oil and gas produced after June 30, 2007, the gross value at the point of production of the oil and gas produced and the deductible adjusted lease expenditures are calculated only for oil and gas taxable under AS 43.55.011(e) and subject to AS 43.55.011(p).

(g) The provisions of AS 43.55.020(a)(1) and (2) apply to oil and gas produced before January 1, 2014. The provisions of AS 43.55.020(a)(5) and (6) apply to oil and gas produced after December 31, 2013. (Eff. 10/21/2009, Register 192; am 4/30/2010, Register 194; am 12/25/2013, Register 208)

**Authority:** AS 43.05.080 AS 43.55.020 AS 43.55.110  
AS 43.55.011

15 AAC 55.520(a) is amended to read:

(a) For each month for which a producer is required to make an installment payment of estimated tax under AS 43.55.020(a)(1), [OR] (3), or (5), a surcharge under AS 43.55.201, or a surcharge under AS 43.55.300, the producer or the person paying on

behalf of the producer shall provide to the department with the payment a remittance advice identifying the producer, the amount and type of the payment, and the month and calendar year of production for which the payment is made. If a single payment combining amounts due under two or more of the provisions referenced in this subsection is made for a month, the remittance advice must state the respective amount paid under each provision. In the absence of the pertinent information required by this subsection, the department will treat a payment received as an installment payment of estimated tax due under AS 43.55.020(a)(1) or (5), as applicable, and AS 43.55.020(a)(3) [(3)] on the last day of the month before the month in which the payment is made.

15 AAC 55.520(b) is amended to read:

(b) An operator of a lease or property in the state from which oil or gas is produced during a month shall submit to the department no later than the last day of the following month

(1) the production offtake schedule and the operator's supporting documentation for the month of production for the lease or property;

(2) the information described in 15 AAC 55.021(a), if applicable; [AND]

(3) a report of any unscheduled interruption of, or reduction in the rate of, oil or gas production during the month; and



(4) in the case of a lease or property that is a participating area subject to AS 43.55.160(f)(3) and with respect to which the department has accepted a methodology under 15 AAC 55.212(f)(1), documentation of

(A) the amounts of oil and gas metered for the month in accordance with 15 AAC 55.213(b)(1), (2), (3), or (4), as applicable; and

(B) if performed by the operator, the exclusions, adjustments, and other calculations required under 15 AAC 55.213(d) – (h).

15AAC 55.520(f) is amended to read:

^  
# (f) A producer or explorer that produces oil or gas during a month, incurs a lease expenditure during a month, incurs an expenditure during a month for which a tax credit may be claimed under AS 43.55.025, or receives during a month a payment or credit that constitutes an adjustment to lease expenditures under AS 43.55.170 shall submit to the department no later than the last day of the following month a report of

(1) amounts and dispositions of oil and gas produced;

(2) destination values, calculated in accordance with 15 AAC 55.151(b)(1),

of oil and gas produced;

(3) transportation costs and adjustments for oil and gas produced;

(4) lease expenditures incurred, separately setting out

(A) qualified capital expenditures and other lease expenditures;

(B) exploration, development, and production expenditures;

- (C) expenditures for which a tax credit may be claimed under AS 43.55.025 and the anticipated amount of the tax credit;
  - (D) overhead allowance;
  - (E) property taxes;
  - (F) net profit share payments;
  - (G) exclusions under AS 43.55.165(e)(18) and (19); and
  - (H) applicable lease expenditures under AS 43.55.165(j) and (k);
- (5) payments or credits received that constitute adjustments to lease expenditures under AS 43.55.170;
- (6) tax credits subtracted in calculating the monthly installment payment of estimated tax;
- (7) potential tax credits generated during the month but of which no portion is subtracted in calculating the monthly installment payment of estimated tax;
- (8) tax credit certificates issued under AS 43.55.023 or 43.55.025 and transferred to another person; [AND]
- (9) tax payments, including conservation surcharges under AS 43.55.201 or 43.55.300, due for the month; and
- (10) the volumes of oil and gas that the producer has determined qualify for a reduction in gross value at the point of production under AS 43.55.160(f), or under AS 43.55.160(f)(1) and (g), and the amounts of the reductions the producer has calculated under 15 AAC 55.211(g).



(Eff. 5/3/2007, Register 182; am 5/17/2008, Register 186; am 12/25 /2013, Register 208)

<b>Authority:</b>	AS 43.05.080	AS 43.55.040	AS 43.55.165
	AS 43.55.020	AS 43.55.110	AS 43.55.180
	AS 43.55.030		

15 AAC 55 is amended by adding a new section to read:

**15 AAC 55.815. Lease or property.** Except as otherwise provided under 15 AAC 55.206(d) – (f), and for purposes of AS 43.55 and this chapter, each of the following is a single lease or property:

(1) a participating area established in a unit under regulations of the Department of Natural Resources adopted under AS 38.05.180(p) or under regulations of the United States Department of the Interior adopted under 30 U.S.C. 226(m) (Mineral Leasing Act of 1920) or 42 U.S.C. 6506a(j) (Naval Petroleum Reserves Production Act of 1976), except that if separate participating areas have been established to distinguish between an oil rim and a gas cap within the same reservoir, both participating areas together are a single lease or property;

(2) a unit that is not subject to a cooperative or a unit plan of development or operation under AS 38.05.180(p), 30 U.S.C. 226(m) (Mineral Leasing Act of 1920), or 42 U.S.C. 6506a(j) (Naval Petroleum Reserves Production Act of 1976);

(3) a group of oil and gas leases, unleased tracts of land, or portions of oil and gas leases or unleased tracts of land that

(A) are pooled under a communitization or drilling agreement approved by the commissioner of natural resources under AS 38.05.180(s) or by the United States Secretary of the Interior under 30 U.S.C. 226(m) (Mineral Leasing Act of 1920) or 42 U.S.C. 6506a(j) (Naval Petroleum Reserves Production Act of 1976), or the interests in which are pooled under AS 31.05.100(c); and

(B) are outside a unit;

(4) except as otherwise provided under (6) of this section, an oil and gas lease or unleased tract of land as to the operating right, operating interest, or working interest in the mineral interest in the unleased tract of land, if the oil and gas lease or unleased tract of land

(A) is outside a participating area described in (1) of this section;

(B) is outside a unit described in (2) of this section; and

(C) is not pooled as described in (3) of this section;

(5) the portion of an oil and gas lease, or portion of unleased tract of land as to the operating right, operating interest, or working interest in the mineral interest in the unleased tract of land, that (A) is outside a participating area described in (1) of this section; (B) is outside a unit described in (2) of this section; and (C) is not pooled as described in (3) of this section, if the remaining portion is in a participating area as



described in (1) of this section, or is in a unit described in (2) of this section, or is pooled as described in (3) of this section;

(6) a group of oil and gas leases or unleased tracts of land described in (4) of this section that the department determines are being operated together in a manner similar to the operation of a unit, participating area, or group of pooled oil and gas leases or unleased tracts of land. (Eff. 12/25/2013, Register 208)

<b>Authority:</b>	AS 43.05.080	AS 43.55.110	AS 43.55.165
	AS 43.55.011	AS 43.55.160	AS 43.55.900
	AS 43.55.030		

15 AAC 55.900(a) is amended by adding a new paragraph to read:

(43) "oil and gas lease" has the meaning given in AS 43.55.900.

15 AAC 55.900(b)(13) is amended to read:

(13) "explorer" has the meaning given in AS 43.55.900 [AS 43.55.025];

"explorer" does not include a drilling contractor, operator, or other person that does not hold an interest in the exploration well or seismic or geophysical work;

(Eff. 1/1/95, Register 132; am 1/1/2000, Register 152; am 1/1/2002, Register 160; am

1/1/2003, Register 164; am 1/1/2004, Register 168; am 5/3/2007, Register 182; am

10/21/2009, Register 192; am 2/27/2010, Register 193; am 4/30/2010, Register 194; am

12/4/2010, Register 196; am 9/14/2012, Register 203; am 12/25/2013, Register 208)

Authority:	AS 43.05.080	AS 43.55.024	AS 43.55.160
	AS 43.55.011	AS 43.55.025	AS 43.55.165
	AS 43.55.020	AS 43.55.110	AS 43.55.170
	AS 43.55.023	AS 43.55.150	AS 43.55.900



# MEMORANDUM


## State of Alaska Department of Law

TO: Hon. Mead Treadwell  
Lieutenant Governor

DATE: October 31, 2013

FILE NO.: JU2013200349

TELEPHONE NO.: 465-3600

FROM: Steven C. Weaver   
Assistant Attorney General  
Legislation/Regulations Section--Juneau

SUBJECT: Regulations re: oil and gas  
production tax (15 AAC 55.206 -  
15 AAC 55.215; 15 AAC  
55.224; 15 AAC 55.335;  
15 AAC 55.375; 15 AAC  
55.381; 15 AAC 55.410(c);  
15 AAC 55.431; 15 AAC  
55.511; 15 AAC 55.520;  
15 AAC 55.815; 15 AAC  
55.900(a)(43), (b)(13))

We have reviewed the attached regulations from the Department of Revenue. I have reviewed this project under a general delegation of limited duration dated September 23, 2013 from the Regulations Attorney. A duplicate of this memorandum is being furnished to Acting Commissioner Rodell, along with a copy of the regulations.

The Department of Law has reviewed the attached regulations against the statutory standards of the Administrative Procedure Act. Based upon our review, we find no legal problems. This memorandum and the attached duplicate memorandum dated October 31, 2013 constitute the written statement of approval under AS 44.62.060(b) and (c) that authorizes your office to file the attached regulations.

The regulation changes were adopted by the Department of Revenue after the close of the public comment period. Reflecting changes to AS 43.55 made under ch. 10, SLA 2013 (HCS CSSB 21(FIN) am H), the regulations update requirements and procedures with respect to the oil and gas production tax.

The adoption order for the regulations states that this action is not expected to require an increased appropriation. Therefore, a fiscal note under AS 44.62.195 is not required.

We have made a few technical corrections to conform the regulations with the drafting manual under AS 44.62.060 and 44.62.125. The corrections are shown on the attached copy of the regulations.

SCW

cc w/enc:

Hon. Angela M. Rodell, Acting Commissioner  
Department of Revenue

# MEMORANDUM


## State of Alaska Department of Law

TO: Hon. Angela M. Rodell  
Acting Commissioner  
Department of Revenue

DATE: October 31, 2013

FILE NO.: JU2013200349

TELEPHONE NO.: 465-3600

FROM: Steven C. Weaver   
Assistant Attorney General  
Legislation/Regulations Section--Juneau

SUBJECT: Regulations re: oil and gas  
production tax (15 AAC 55.206 -  
15 AAC 55.215; 15 AAC  
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15 AAC 55.375; 15 AAC  
55.381; 15 AAC 55.410(c);  
15 AAC 55.431; 15 AAC  
55.511; 15 AAC 55.520;  
15 AAC 55.815; 15 AAC  
55.900(a)(43), (b)(13))

Under AS 44.62.060, we have reviewed the attached regulations changes by the Department of Revenue, and approve the changes for filing by the lieutenant governor. I have reviewed this project under a general delegation of limited duration dated September 23, 2013 from the Regulations Attorney. A duplicate original of this memorandum is being furnished to the lieutenant governor, along with the 49 pages of regulations and the related documents.

You might wish to contact the lieutenant governor's office to confirm the filing date and effective date of the attached regulation changes.

The July 21, 2013 public notice and the October 30, 2013 adoption order both state that this action is not expected to require an increased appropriation. Therefore, a fiscal note under AS 44.62.195 is not required.

In accordance with AS 44.62.125(b)(6), some corrections have been made in the regulations, as shown on the attached copy.

SCW

cc w/enc: Jerry Burnett, Deputy Commissioner & Regulations Contact  
Department of Revenue

Matthew R. Fonder, Director  
Tax Division  
Department of Revenue

John M. Larsen  
Tax Division  
Department of Revenue

Susan R. Pollard  
Senior Assistant Attorney General  
Oil, Gas & Mining Section--Juneau

Mary Hunter-Gramling  
Assistant Attorney General  
Oil, Gas & Mining Section--Juneau



# MEMORANDUM


State of Alaska  
Department of Law

To: Hon. Mead Treadwell  
Lieutenant Governor

Date: September 23, 2013

File No.:

Tel. No.: 465-3600

From:   
Deborah E. Behr  
Chief Assistant Attorney General  
and Regulations Attorney  
Legislation and Regulations Section

Re: Delegation of Authority for  
Regulations Matters for October  
22 - 31, 2013

I will be out of state on personal leave October 22 - 31, 2013. I plan to be back in the office on Friday, November 1, 2013.

In my absence, Assistant Attorney General Steve Weaver is designated as acting Regulations Attorney. Under this delegation, Steve Weaver has my full authority under AS 44.62 to conduct the legal review of regulations or take necessary actions during this period.

In my absence, Linda Miller is available to provide assistance on regulation matters.

Steve Weaver has contact numbers for me if you need to reach me.

DEB:pav

cc: Jim Cantor, Deputy Attorney General, Civil Division  
Nancy Gordon, Statewide Office Chief  
Steve Weaver, Assistant Attorney General  
Cori Mills, Legislative Liaison, Civil Division  
Lisa Rickey, Legal Text Editor  
Linda Miller, Legal Text Editor  
Nancy Korting, Executive Secretary, AGO  
Scott Meriwether, AAC Coordinator, Office of the Lt. Governor

)

) ss.

THIRD JUDICIAL DISTRICT

)

**AFFIDAVIT OF NOTICE OF PROPOSED ADOPTION OF REGULATIONS**  
**AND FURNISHING OF ADDITIONAL INFORMATION**


**I, John M. Larsen, Audit Master, Department of Revenue, being sworn, state the following:**

As required by AS 44.62.190, notice of the proposed adoption of changes to the chapter heading of Title 15, Chapter 55 of the Alaska Administrative Code; 15 AAC 55.206, calculation of production tax values for oil and gas produced after June 30, 2007; 15 AAC 55.211, dealing with gross value reductions under AS 43.55.160(f) and (g); 15 AAC 55.212, dealing with procedures relating to gross value reductions under proposed 15 AAC 55.211 and 15 AAC 55.213; 15 AAC 55.213, dealing with methodologies under AS 43.55.160(f)(3); 15 AAC 55.215, dealing with applicability of lease expenditures; 15 AAC 55.224, dealing with lease expenditures after June 30, 2007 for Cook Inlet, gas used in the state, and for oil and gas subject to AS 43.55.011(p); 15 AAC 55.335, dealing with nontransferable credits; 15 AAC 55.375, dealing with the order of applying tax credits; 15 AAC 55.381, dealing with the subtraction of tax credits in calculation of an installment payment of estimated tax after June 30, 2007; 15 AAC 55.410, dealing with the tax on production tax value of oil and gas; 15 AAC 55.431, dealing with monthly tax amounts and the repeal of the “progressivity” calculation in AS 43.55.011(e); 15 AAC 55.511, dealing with the calculation of installment payments of estimated tax for oil and gas produced after June 30, 2007; 15 AAC 55.520, dealing with monthly filings; 15 AAC 55.815, dealing with leases or properties; and 15 AAC 55.900, dealing with definitions has been given by being:

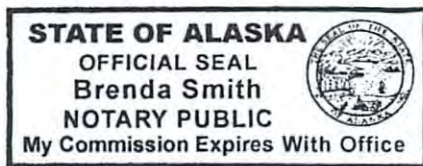
- (1) published in a newspaper or trade publication;
- (2) furnished to interested persons;
- (3) furnished to appropriate state officials;
- (4) furnished to the Department of Law, along with a copy of the proposed regulations;
- (5) electronically transmitted to incumbent State of Alaska legislators;
- (6) furnished to the Legislative Affairs Agency, Legislative Legal and Research Services;
- (7) posted on the Alaska Online Public Notice System as required by AS 44.62.175(a)(1) and (b) and 44.62.190(a)(1);
- (8) furnished electronically, along with a copy of the proposed regulations, to the Legislative Affairs Agency, the chairs of the Finance Committee of the Alaska Senate and House of Representatives, the Administrative Regulation Review Committee, and the legislative council.


As required by AS 44.62.190(d), additional regulations notice information regarding the proposed adoption of the regulation changes described above has been furnished to interested persons and those in (5) and (6) of the list above. The additional regulations notice information also has been posted on the Alaska Online Public Notice System.

DATE: October 11, 2013  
Anchorage, Alaska

  
John M. Larsen  
Audit Master  
Department of Revenue

SUBSCRIBED AND SWORN TO before me this 11th day of October, 2013.



  
Notary Public in and for the  
State of Alaska  
My commission expires: with office



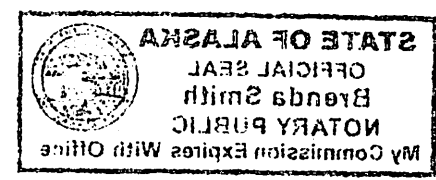
NOTICE OF PUBLIC HEARING  
The following is a notice of public hearing to be held on the 14th day of May, 2012, at 10:00 a.m. in the City of Anchorage, Alaska, at the Anchorage Convention Center, 1001 D Street, Anchorage, Alaska, for the purpose of considering and acting upon the proposed amendments to the Anchorage Comprehensive Zoning Ordinance, as amended, which are set forth in the attached agenda.

2012 May 14 10:00 a.m.

*[Handwritten signature]*  
Anchorage Convention Center  
1001 D Street  
Anchorage, Alaska 99501

NOTICE OF PUBLIC HEARING

*[Handwritten signature]*  
Anchorage Convention Center  
1001 D Street  
Anchorage, Alaska 99501



STATE OF ALASKA

)

) SS.

THIRD JUDICIAL DISTRICT

)

# AFFIDAVIT OF AGENCY RECORD OF PUBLIC COMMENT

I, John M. Larsen, Audit Master for the Department of Revenue, being duly sworn, state the following:

In compliance with AS 44.62.215, the Department of Revenue has kept a record of its use or rejection of factual or other substantive information that was submitted in writing as public comment and that was relevant to the accuracy, coverage, or other aspect of the Department of Revenue regulations on the oil and gas production tax.

Date:

October 11, 2013

Anchorage, Alaska

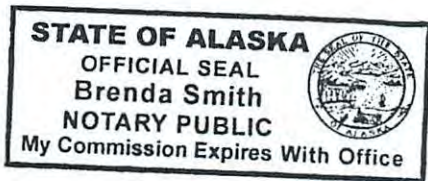
John M. Lusk

John M. Larsen

## Audit Master

Department of Revenue

SUBSCRIBED AND SWORN TO before me this 11th day of October, 2013.



Brenda Smith

Notary Public in and for the

State of Alaska

My commission expires: with office

STATE OF ALASKA                     )  
                                                      ) ss.  
THIRD JUDICIAL DISTRICT        )

AFFIDAVIT OF ORAL HEARING

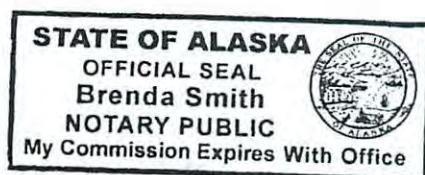
I, John M. Larsen, Audit Master for the Department of Revenue, being sworn, state the following:

On August 13, 2013 at 9 a.m. in the East Hearing Room of the Regulatory Commission of Alaska, 701 W. 8<sup>th</sup> Avenue, Suite 300, Anchorage, Alaska, I presided over a public hearing held under AS 44.62.210 for the purpose of taking testimony in connection with the adoption of changes to the chapter heading of Title 15, Chapter 55 of the Alaska Administrative Code; 15 AAC 55.206, calculation of production tax values for oil and gas produced after June 30, 2007; 15 AAC 55.211, dealing with gross value reductions under AS 43.55.160(f) and (g); 15 AAC 55.212, dealing with procedures relating to gross value reductions under proposed 15 AAC 55.211 and 15 AAC 55.213; 15 AAC 55.213, dealing with methodologies under AS 43.55.160(f)(3); 15 AAC 55.215, dealing with applicability of lease expenditures; 15 AAC 55.224, dealing with lease expenditures after June 30, 2007 for Cook Inlet, gas used in the state, and for oil and gas subject to AS 43.55.011(p); 15 AAC 55.335, dealing with nontransferable credits; 15 AAC 55.375, dealing with the order of applying tax credits; 15 AAC 55.381, dealing with the subtraction of tax credits in calculation of an installment payment of estimated tax after June 30, 2007; 15 AAC 55.410, dealing with the tax on production tax value of oil and gas; 15 AAC 55.431, dealing with monthly tax amounts and the repeal of the "progressivity" calculation in AS 43.55.011(e); 15 AAC 55.511, dealing with the calculation of installment payments of estimated tax for oil and gas produced after June 30, 2007; 15 AAC 55.520, dealing with monthly filings; 15 AAC 55.815, dealing with leases or properties; and 15 AAC 55.900, dealing with definitions.

DATE: October 11, 2013  
Anchorage, Alaska

John M. Larsen  
John M. Larsen  
Audit Master  
Department of Revenue

SUBSCRIBED AND SWORN TO before me this 11th day of October, 2013.



Brenda Smith  
Notary Public in and for the  
State of Alaska  
My commission expires: with office.



# Affidavit of Publication

United States of America  
State of Alaska  
First Division

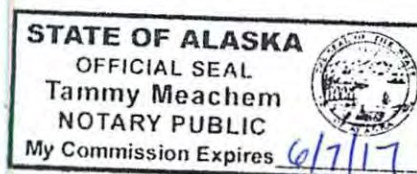
Ad #: 155345

Legal #: 700-034

I, Alexis Cropley, being first duly sworn, oath, depose, and say that I am the Principle Clerk of the JUNEAU EMPIRE, a newspaper of general circulation, published in the city of Juneau, State of Alaska; that the publication was published in said newspaper and on www.juneauempire.com, the online edition, on the 23<sup>rd</sup> day of July 2013 and thereafter for 0 additional day(s), the last date of publication being July 23, 2013.

..... Alexis Cropley .....  
Subscribed and sworn to before me this  
15<sup>th</sup> day of August 2013.

.....  
Notary Public in and for the State of Alaska.



**NOTICE OF  
PROPOSED CHANGES IN THE REGULATIONS  
OF THE DEPARTMENT OF REVENUE**

**BRIEF DESCRIPTION:** The Department of Revenue proposes regulations to implement legislation enacted in 2013 affecting the oil and gas production tax. The regulations relate to the calculation of production tax values, gross value reductions and tax credits for qualified North Slope oil and gas, the treatment of lease expenditures for oil and gas subject to tax limitations, tax credits, specification of a single lease or property for production tax purposes, and conforming and clarifying changes related to recent legislation affecting the oil and gas production tax.

The Department of Revenue proposes to adopt regulation changes in Title 15, Chapter 55 of the Alaska Administrative Code, dealing with the oil and gas production tax, including the following:

- (1) **Chapter 55. Oil and Gas Properties Production Tax**, the chapter heading of Title 15, Chapter 55 is proposed to be changed to conform to the heading of Oil and Gas Production Tax and Oil Surcharge in Title 43, Chapter 55 of the Alaska Statutes.
- (2) **15 AAC 55.206, Calculation of production tax values for oil and gas produced after June 30, 2007**, is proposed to be amended, to conform to changes in state statutes and to make clarifying amendments and to account for statutory time limits related to tax ceilings and tax credits.
- (3) **15 AAC 55.211, Gross value reductions**, is proposed to be adopted to specify the criteria for the reductions in gross value at the point of production for qualified North Slope oil and gas under AS 43.55.160(f) and (g).
- (4) **15 AAC 55.212, Procedures relating to gross value reductions**, is proposed to be adopted to specify determinations and procedures for reductions in gross value at the point of production for qualified North Slope oil and gas under AS 43.55.160(f) and (g).
- (5) **15 AAC 55.213, Methodologies under AS 43.55.160(f)(3)**, is proposed to be adopted to implement AS 43.55.160(f)(3) related to demonstration of the volumes of oil and gas produced from acreage added to an existing participating area on or after January 1, 2014.
- (6) **15 AAC 55.215, Applicability of lease expenditures**, is proposed to be amended and new subsections added to account for statutory time limits for certain tax limitations, to account for AS 43.55.011(p), tax limitations for certain oil and gas produced outside of Cook Inlet and the North Slope, and to make clarifying and conforming amendments.
- (7) **15 AAC 55.224, Lease expenditures incurred after June 30, 2007, for Cook Inlet and for gas used in the state**, is proposed to be amended to account for AS 43.55.011(p), tax limitations for certain oil and gas produced outside of Cook Inlet and the North Slope, and to account for changes in AS 43.55.023(b) that affect the calculation of adjusted lease expenditures for purposes of the carried-forward loss credit under AS 43.55.023(b) after calendar year 2013.
- (8) **15 AAC 55.335, Additional nontransferable credits**, is proposed to be amended and new subsections added to provide for determination and application of tax credits under AS 43.55.024(i), a \$5 a barrel credit, and (j), a sliding scale credit, and to make conforming amendments.
- (9) **15 AAC 55.375, Order of applying tax credits**, is proposed to be amended to account for new credits under AS 43.55.024 and to make conforming amendments.
- (10) **15 AAC 55.381, Subtraction of tax credits in calculation of installment payment of estimated tax for oil and gas produced after June 30, 2007**, is proposed to be amended and new subsections added to account for new tax credits under AS 43.55.024 in the calculation of installment payments of estimated production tax on or after January 1, 2014 and to make conforming amendments.
- (11) **15 AAC 55.410, Tax on production tax value of oil and gas**, is proposed to be amended by adding a new subsection to reflect the recent statutory changes applicable to oil and gas produced after December 31, 2013.
- (12) **15 AAC 55.431, Monthly tax amounts under AS 43.55.011(e)(2) for oil and gas produced after June 30, 2007**, is proposed to be amended to account for changes to state statute related to calculation of the tax levied on oil and gas produced after December 31, 2013.
- (13) **15 AAC 55.511, Installment payments of estimated tax for oil and gas produced after June 30, 2007**, is proposed to be amended to account for recent statutory changes in the tax levied on oil and gas produced after December 31, 2013 and to make conforming amendments.
- (14) **15 AAC 55.520, Monthly filings**, is proposed to be amended to account for filing provisions for the monthly installment payments of the estimated tax for oil and gas produced on or after January 1, 2014.
- (15) **15 AAC 55.815, Lease or property**, is proposed to be adopted to specify instances of what constitutes a single lease or property for the purposes of the oil and gas production tax statute and regulations.

You may comment on the proposed regulation changes, including the potential costs to private persons of complying with the proposed changes, by submitting written comments to: John Larsen, Audit Master, Alaska Department of Revenue, 550 W. 7th Ave., Ste. 500, Anchorage, AK 99501.

Additionally, the Department of Revenue will accept comments by electronic mail to [john.larsen@alaska.gov](mailto:john.larsen@alaska.gov), or by facsimile at (907) 269-6844. Written comments must be received no later than 4:30 p.m., on Monday, August 26, 2013.

Oral or written comments also may be submitted at a hearing to be held Tuesday, August 13, 2013, in the East Hearing Room of the Regulatory Commission of Alaska located at 701 W. 8th Avenue, Suite 300, Anchorage, Alaska. The hearing will be held from 9:00 a.m. to 1:00 a.m. and may be extended to accommodate those present before 10:00 a.m. who did not have an opportunity to comment. If you are unable to attend the public hearing, you may participate by teleconference by dialing the toll-free conference call number, 1-800-315-6338. When asked for the participant PIN code, enter 1003#.

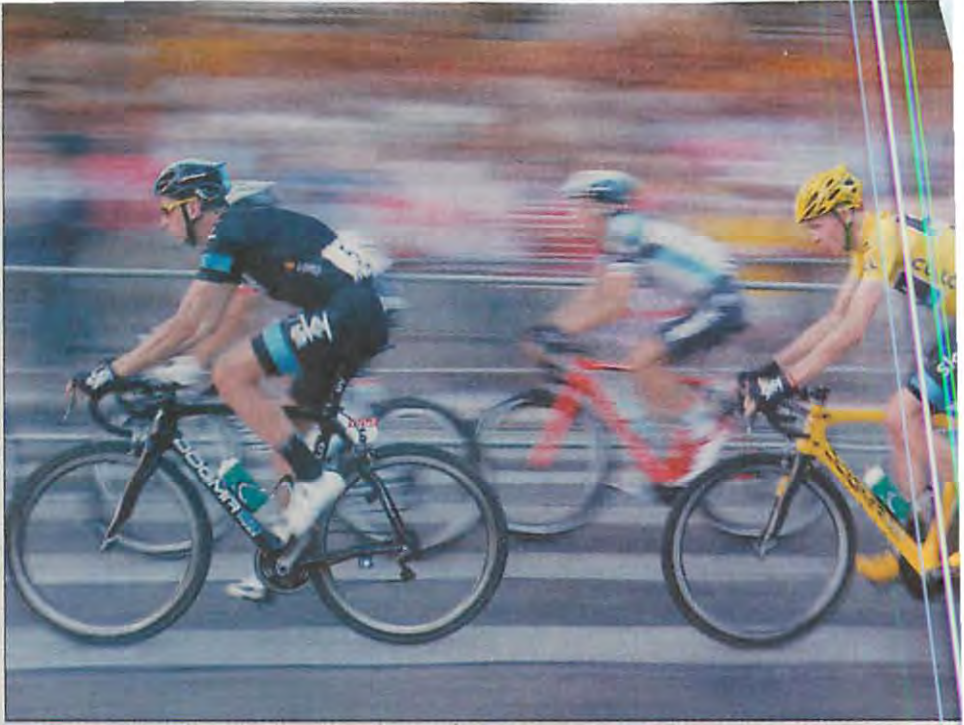
If you are a person with a disability who needs a special accommodation in order to participate in this process, please contact Bonnie Luther at (907) 269-6620 no later than Friday, August 9, 2013 to ensure that any necessary accommodations can be provided.



...who won 2013 Tour de France (100th annual) on Sunday, and who dominated rivals over three weeks on the road and adroitly dealt with doping suspicions off it.

**At right:** Christopher Froome of Britain, wearing the overall leader's yellow jersey, center, rides during the 21st and last stage of the 100th edition of the Tour de France cycling race over 133.5 kilometers (83.4 miles) with start in Versailles and finish in Paris, France, Sunday.

LAURENT CIPRIANI | THE ASSOCIATED PRESS



# BRAUN:

Continued from Page B1

and labor contract. Braun will miss the Milwaukee Brewers' final 65 games without pay, costing him about \$3 million of his \$8.5 million salary. With the Brewers in last place in the NL Central, they aren't likely to have any playoff games for him to miss.

"I wish to apologize to anyone I may have disappointed," Braun said. "I am glad to have this matter behind me once and for all, and I cannot wait to get back to the game I love."

Under the agreement

count as a first violation of the drug program, the person said.

Union head Michael Weiner said last week that arbitration hearings for players contesting suspensions likely would not start until September, which would delay any penalty until next season. But he also indicated the union would urge players to make a deal and get a suspension over with if there was strong evidence of guilt.

"I am deeply gratified to see Ryan taking this bold step," Weiner said in a statement. "It vindicates the rights of all players under the joint drug program. It is good for the game that Ryan will return soon to continue his great work both on and off the field."

by a thumb injury that limited him to one game between June 9 and Friday. He was at Miller Park before Monday's game against San Diego and addressed the Brewers, then left without speaking to reporters.

Brewers general manager Doug Melvin spoke with Braun but wouldn't divulge details of the discussion.

"I'm disappointed. He's a very important player to our organization and to the ballclub and to our performance on the field," Melvin said.

Braun met with MLB investigators in late June. Baseball's probe was boosted when Anthony Bosch, who ran Biogenesis, agreed last month to cooperate with the sport's in-

salary increases to \$10 million next year, when a 65-game suspension would cost him about \$500,000 more.

"We commend Ryan Braun for taking responsibility for his past actions," Rob Manfred, MLB's executive vice president for economics and league affairs, said in a statement. "We all agree that it is in the best interests of the game to resolve this matter. When Ryan returns, we look forward to him making positive contributions to Major League Baseball, both on and off the field."

Negotiations over penalties for other players haven't begun, according to a second person familiar with the probe, also speaking on condition of anonymity because no state-

After the public comment period ends on Monday, August 26, 2013, the Department of Revenue will either adopt these or other provisions dealing with the same subject, without further notice, or decide to take no action on them. The language of the final regulations may be different from that of the proposed regulations. You should comment during the time allowed if your interests could be affected. Written comments received are public records and are subject to public inspection.

Statutory Authority: AS 43.05.080; AS 43.55.110; AS 43.55.160.

Statutes Being Implemented, Interpreted, or Made Specific: AS 43.55.011; AS 43.55.020; AS 43.55.023; AS 43.55.024; AS 43.55.025; AS 43.55.030; AS 43.55.160; AS 43.55.165; AS 43.55.180; AS 43.55.900.

Fiscal Information: The proposed regulation changes are not expected to require an increased appropriation.

/s/ Matthew R. Fonder  
Director, Tax Division  
(907) 269-6620  
700-034 JULY 23, 2013

DATE: July 19, 2013  
Anchorage, Alaska



STOF0420  
#221042  
\$732.06

# AFFIDAVIT OF PUBLICATION

STATE OF ALASKA  
THIRD JUDICIAL DISTRICT

Joleesa Stepetin  
being first duly sworn on oath  
deposes and says that he is  
a representative of the  
Anchorage Daily News, a  
daily newspaper. That said  
newspaper has been approved  
by the Third Judicial Court,  
Anchorage, Alaska, and it now  
and has been published in the  
English language continually as a  
daily newspaper in Anchorage,  
Alaska, and it is now and during  
all said time was printed in an  
office maintained at the aforesaid  
place of publication of said  
newspaper. That the annexed is  
a copy of an advertisement as it  
was published in regular issues  
(and not in supplemental form)  
of said newspaper on

July 21, 2013

and that such newspaper was  
regularly distributed to its  
subscribers during all of said  
period. That the full amount of  
the fee charged for the foregoing  
publication is not in excess of  
the rate charged private individuals.

Signed

Subscribed and sworn to before

me this 22 day of July

2013

Notary Public in and for  
The State of Alaska  
Third Division  
Anchorage, Alaska  
MY COMMISSION EXPIRES



## NOTICE OF PROPOSED CHANGES IN THE REGULATIONS OF THE DEPARTMENT OF REVENUE

**BRIEF DESCRIPTION:** The Department of Revenue proposes regulations to implement legislation enacted in 2013 affecting the oil and gas production tax. The regulations relate to the calculation of production tax values, gross value reductions and tax credits for qualified North Slope oil and gas, the treatment of lease expenditures for oil and gas subject to tax limitations, tax credits, specification of a single lease or property for production tax purposes, and conforming and clarifying changes related to recent legislation affecting the oil and gas production tax.

The Department of Revenue proposes to adopt regulation changes in Title 15, Chapter 55 of the Alaska Administrative Code, dealing with the oil and gas production tax, including the following:

- (1) **Chapter 55. Oil and Gas Properties Production Tax**, the chapter heading of Title 15, Chapter 55 is proposed to be changed to conform to the heading of Oil and Gas Production Tax and Oil Surcharge in Title 43, Chapter 55 of the Alaska Statutes.
- (2) **15 AAC 55.206, Calculation of production tax values for oil and gas produced after June 30, 2007**, is proposed to be amended, to conform to changes in state statutes and to make clarifying amendments and to account for statutory time limits related to tax ceilings and tax credits.
- (3) **15 AAC 55.211, Gross value reductions**, is proposed to be adopted to specify the criteria for the reductions in gross value at the point of production for qualified North Slope oil and gas under AS 43.55.160(f) and (g).
- (4) **15 AAC 55.212, Procedures relating to gross value reductions**, is proposed to be adopted to specify determinations and procedures for reductions in gross value at the point of production for qualified North Slope oil and gas under AS 43.55.160(f) and (g).
- (5) **15 AAC 55.213, Methodologies under AS 43.55.160(f)(3)**, is proposed to be adopted to implement AS 43.55.160(f)(3) related to demonstration of the volumes of oil and gas produced from acreage added to an existing participating area on or after January 1, 2014.
- (6) **15 AAC 55.215, Applicability of lease expenditures**, is proposed to be amended and new subsections added to account for statutory time limits for certain tax limitations, to account for AS 43.55.011(p), tax limitations for certain oil and gas produced outside of Cook Inlet and the North Slope, and to make clarifying and conforming amendments.
- (7) **15 AAC 55.224, Lease expenditures incurred after June 30, 2007, for Cook Inlet and for gas used in the state**, is proposed to be amended to account for AS 43.55.011(p), tax limitations for certain oil and gas produced outside of Cook Inlet and the North Slope, and to account for changes in AS 43.55.023(b) that affect the calculation of adjusted lease expenditures for purposes of the carried-forward loss credit under AS 43.55.023(b) after calendar year 2013.
- (8) **15 AAC 55.335, Additional nontransferable credits**, is proposed to be amended and new subsections added to provide for determination and application of tax credits under AS 43.55.024(i), a \$5 a barrel credit, and (j), a sliding scale credit, and to make conforming amendments.
- (9) **15 AAC 55.375, Order of applying tax credits**, is proposed to be amended to account for new credits under AS 43.55.024 and to make conforming amendments.
- (10) **15 AAC 55.381, Subtraction of tax credits in calculation of installment payment of estimated tax for oil and gas produced after June 30, 2007**, is proposed to be amended and new subsections added to account

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NOTICE OF  
PROPOSED CHANGES IN THE REGULATIONS  
OF THE DEPARTMENT OF REVENUE

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The Department of Revenue proposes to adopt regulation changes in Title 15, Chapter 55 of the Alaska Administrative Code, dealing with the oil and gas production tax, including the following:

- (1) **Chapter 55. Oil and Gas Properties Production Tax**, the chapter heading of Title 15, Chapter 55 is proposed to be changed to conform to the heading of Oil and Gas Production Tax and Oil Surcharge in Title 43, Chapter 55 of the Alaska Statutes.
- (2) **15 AAC 55.206, Calculation of production tax values for oil and gas produced after June 30, 2007**, is proposed to be amended, to conform to changes in state statutes and to make clarifying amendments and to account for statutory time limits related to tax ceilings and tax credits.
- (3) **15 AAC 55.211, Gross value reductions**, is proposed to be adopted to specify the criteria for the reductions in gross value at the point of production for qualified North Slope oil and gas under AS 43.55.160(f) and (g).
- (4) **15 AAC 55.212, Procedures relating to gross value reductions**, is proposed to be adopted to specify determinations and procedures for reductions in gross value at the point of production for qualified North Slope oil and gas under AS 43.55.160(f) and (g).
- (5) **15 AAC 55.213, Methodologies under AS 43.55.160(f)(3)**, is proposed to be adopted to implement AS 43.55.160(f)(3) related to demonstration of the volumes of oil and gas produced from acreage added to an existing participating area on or after January 1, 2014.

- (6) **15 AAC 55.215, Applicability of lease expenditures**, is proposed to be amended and new subsections added to account for statutory time limits for certain tax limitations, to account for AS 43.55.011(p), tax limitations for certain oil and gas produced outside of Cook Inlet and the North Slope, and to make clarifying and conforming amendments.
- (7) **15 AAC 55.224, Lease expenditures incurred after June 30, 2007, for Cook Inlet and for gas used in the state**, is proposed to be amended to account for AS 43.55.011(p), tax limitations for certain oil and gas produced outside of Cook Inlet and the North Slope, and to account for changes in AS 43.55.023(b) that affect the calculation of adjusted lease expenditures for purposes of the carried-forward loss credit under AS 43.55.023(b) after calendar year 2013.
- (8) **15 AAC 55.335, Additional nontransferable credits**, is proposed to be amended and new subsections added to provide for determination and application of tax credits under AS 43.55.024(i), a \$5 a barrel credit, and (j), a sliding scale credit, and to make conforming amendments.
- (9) **15 AAC 55.375, Order of applying tax credits**, is proposed to be amended to account for new credits under AS 43.55.024 and to make conforming amendments.
- (10) **15 AAC 55.381, Subtraction of tax credits in calculation of installment payment of estimated tax for oil and gas produced after June 30, 2007**, is proposed to be amended and new subsections added to account for new tax credits under AS 43.55.024 in the calculation of installment payments of estimated production tax on or after January 1, 2014 and to make conforming amendments.
- (11) **15 AAC 55.410, Tax on production tax value of oil and gas**, is proposed to be amended by adding a new subsection to reflect the recent statutory changes applicable to oil and gas produced after December 31, 2013.
- (12) **15 AAC 55.431, Monthly tax amounts under AS 43.55.011(e)(2) for oil and gas produced after June 30, 2007**, is proposed to be amended to account for changes to state statute related to calculation of the tax levied on oil and gas produced after December 31, 2013.
- (13) **15 AAC 55.511, Installment payments of estimated tax for oil and gas produced after June 30, 2007**, is proposed to be amended to account for recent statutory changes in the tax levied on oil and gas produced after December 31, 2013 and to make conforming amendments.



- (14) **15 AAC 55.520, Monthly filings**, is proposed to be amended to account for filing provisions for the monthly installment payments of the estimated tax for oil and gas produced on or after January 1, 2014.
- (15) **15 AAC 55.815, Lease or property**, is proposed to be adopted to specify instances of what constitutes a single lease or property for the purposes of the oil and gas production tax statute and regulations.

You may comment on the proposed regulation changes, including the potential costs to private persons of complying with the proposed changes, by submitting written comments to: John Larsen, Audit Master, Alaska Department of Revenue, 550 W. 7th Ave., Ste. 500, Anchorage, AK 99501.

Additionally, the Department of Revenue will accept comments by electronic mail to [john.larsen@alaska.gov](mailto:john.larsen@alaska.gov), or by facsimile at (907) 269-6644. **Written comments must be received no later than 4:30 p.m., on Monday, August 26, 2013.**

**Oral or written comments also may be submitted at a hearing to be held Tuesday, August 13, 2013**, in the East Hearing Room of the Regulatory Commission of Alaska located at 701 W. 8<sup>th</sup> Avenue, Suite 300, Anchorage, Alaska. The hearing will be held from 9:00 a.m. to 11:00 a.m. and may be extended to accommodate those present before 10:00 a.m. who did not have an opportunity to comment. If you are unable to attend the public hearing, you may participate by teleconference by dialing the toll-free conference call number, 1-800-315-6338. When asked for the participant PIN code, enter 1003#.

If you are a person with a disability who needs a special accommodation in order to participate in this process, please contact Bonnie Luther at (907) 269-6620 no later than Friday, August 9, 2013 to ensure that any necessary accommodations can be provided.

For a copy of the proposed regulation changes, contact the Tax Division at (907) 269-6620 or go to the Division's Internet website at <http://www.tax.alaska.gov>.

**After the public comment period ends on Monday, August 26, 2013**, the Department of Revenue will either adopt these or other provisions dealing with the same subject, without further notice, or decide to take no action on them. The language of the final regulations may be different from that of the proposed regulations. You should comment during the time allowed if your interests could be affected. Written comments received are public records and are subject to public inspection.

**Statutory Authority:** AS 43.05.080; AS 43.55.110; AS 43.55.160.

**Statutes Being Implemented, Interpreted, or Made Specific:** AS 43.55.011; AS 43.55.020; AS 43.55.023; AS 43.55.024; AS 43.55.025; AS 43.55.030; AS 43.55.160; AS 43.55.165; AS 43.55.180; AS 43.55.900.

**Fiscal Information:** The proposed regulation changes are not expected to require an increased appropriation.

DATE: July 19, 2013  
Anchorage, Alaska



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Matthew R. Fonder  
Director, Tax Division  
(907) 269-6620

**ADDITIONAL REGULATIONS NOTICE INFORMATION**  
**(AS 44.62.190(d))**

1. Adopting Agency: Department of Revenue, Tax Division
2. General subject of regulation: Alaska Oil and Gas Production Tax and Oil Surcharge:  
Title name change, calculation of production tax values, gross value reductions,  
applicability of lease expenditures and determination of excess lease expenditures, order  
of applying and subtraction of tax credits, tax credits, payments of estimated taxes, and  
categories of a single lease or property.
3. Citation of regulations: 15 AAC 55 sections to be amended or added: 206, 211, 212; 213,  
215; 224; 335; 375; 381, 410, 431, 511, 520, and 815
4. Department of Law file number: JU2013200349
5. Reason for the proposed action:  
☐ compliance with federal law  
☒ compliance with new or changed state statutes  
☐ compliance with court order  
☒ development of program standards  
☐ other: (please list)
6. Appropriation/Allocation: Tax Division, Revenue Operations
7. Cost of implementation to the state agency and available funding (in thousands of  
dollars): No costs are expected in FY 2014 or subsequent years.

	Initial Year FY 2014	Subsequent Years
Operating Cost	\$ <u>0</u>	\$ <u>0</u>
Capital Cost	\$ <u>0</u>	\$ <u>0</u>
1002 Federal receipts	\$ <u>0</u>	\$ <u>0</u>
1003 General fund match	\$ <u>0</u>	\$ <u>0</u>
1004 General fund	\$ <u>0</u>	\$ <u>0</u>
1005 General fund/ Program	\$ <u>0</u>	\$ <u>0</u>
1037 General fund/ mental health	\$ <u>0</u>	\$ <u>0</u>
Other	\$ <u>0</u>	\$ <u>0</u>




8. The name of the contact person for the regulations:

Name: John Larsen  
Title: Audit Master  
Address: 550 W. 7<sup>th</sup> Ave., Ste. 500, Anchorage, AK 99501  
Telephone: (907) 269-8436  
FAX: (907) 269-6644  
E-mail: john.larsen@alaska.gov

3. The origin of the proposed action:

- ☒ staff of state agency  
☐ Federal government  
☐ General public  
☐ petition for regulation change  
☐ other (please list)

4. Date: July 19, 2013

Prepared by:   
John M. Larsen  
Audit Master, Tax Division  
(907) 269-8436