

15 AAC 55 is proposed to be amended by adding new subsections to 15 AAC 55.280,

Adjustments to lease expenditures, to read:

(b) Except as provided under (c) of this section, if a producer or explorer has deducted or will deduct as a lease expenditure all or part of the construction or acquisition cost of a facility or equipment in calculating a production tax value under AS 43.55.160(a)(1), or if a producer or explorer has taken or will take a tax credit under AS 43 for all or part of the construction or acquisition cost of a facility or equipment, the producer's or explorer's adjustments under AS 43.55.170 include

(1) any charge for use of the facility or equipment paid to or for the benefit of the producer or explorer owning the facility or equipment by another producer or explorer, except that reimbursement of that other producer's or explorer's share of actual current operating and maintenance costs for the facility or equipment or of new capital investment in the facility or equipment is included in the adjustments under AS 43.55.170 only to the extent that the producer or explorer owning the facility or equipment treats as its own lease expenditures the operating and maintenance costs or new capital investment being reimbursed;

(2) any charge for use of the facility or equipment that the producer or explorer owning the facility or equipment pays or imputes to itself and treats as its lease expenditure, to the extent the charge exceeds the producer's or explorer's costs that are

(A) actually incurred to operate and maintain the facility or equipment, or actually incurred for new capital investment in the facility or equipment, during the period for which the charge is paid or imputed; and

(B) not reimbursed to the producer or explorer by another producer or explorer.

(c) AS 43.55.170(a)(1) does not apply to a payment or credit received by a producer or an operator acting for the producer to

(1) defray the producer's actual costs incurred during a calendar year to operate and maintain the production facility if the producer's oil and gas that the facility is used to produce are produced from a unit with respect to which the producer's lease expenditures for the calendar year are determined under AS 43.55.165(j) and (k);

(2) recover the producer's capital investment incurred before April 1, 2006, to acquire, construct, or improve the production facility; or

(3) compensate the producer for the deferral or loss of the producer's oil or gas production resulting from use of a production facility to process another person's produced fluids, except to the extent that other person treats the payment or credit as its lease expenditure.

(d) AS 43.55.170(a)(2) does not apply to a payment or credit received by or on behalf of a producer or explorer to reimburse the producer or explorer for costs passed through to another producer or explorer, if the reimbursed producer or explorer does not treat those costs as its own lease expenditures.