

DEPARTMENT OF REVENUE, TAX DIVISION
PUBLIC WORKSHOP
On Potential Changes to Oil and Gas Production Tax Regulations
Reimbursements & Adjustments to Lease Expenditures
Tuesday, July 28, 2009

Changes from February 27, 2009 draft to July 17, 2009 draft
(March 17, 2009 and July 28, 2009 Public Workshops)

- 1) Incorporated previous amendment to 15 AAC 55.260 into new 15 AAC 55.280(e)(1) for lease expenditures paid or imputed to oneself. Allows charge as a lease expenditure, but requires that there be an offsetting adjustment. This responds to comments claiming that there would have to be adjustment without allowance of the charge.
- 2) Removed the limitation in previous 15 AAC 55.280(b)(1) applying to O&M costs for legacy fields under AS 43.55.165(j) & (k). Now applies whenever the producer doesn't treat the cost as the producer's own lease expenditures. Also provides for a safe harbor for calculating the exempted portion of the O&M costs (15 AAC 55.280(c)(2)).
- 3) Clarified in 15 AAC 55.280(b)(3) that AS 43.55.170 limits the exemption to the described third-party situations. Also revises the method for determining what portion of a fee is a charge for pre-April 1, 2006, investment (15 AAC 55.280(d)), with the intention of limiting the circumstances under which the producer has to keep track of investment expenditures – this responds to comments from the previous version.
- 4) Clarified in 15 AAC 280(c)(1) that costs capitalized under 26 USC (Internal Revenue Code) cannot be O&M costs for purposes of AS 43.55.170.
- 5) Moved previous 15 AAC 55.280(b)(3) to 15 AAC 55.280(e)(2) relating to capital expansions not shared by third-party accessors. Provides that a capital contribution as described in (e)(2) is not considered a transaction that triggers AS 43.55.170(a)(1).
- 6) Moved previous 15 AAC 55.280(d) to 15 AAC 55.280(f).

NOTE: THE DEPARTMENT HAS NOT ISSUED A PUBLIC NOTICE FOR PROPOSED REGULATIONS REGARDING THE DRAFT DOCUMENTS THAT ARE THE SUBJECT OF THE MARCH 17 AND JULY 28, 2009 WORKSHOPS. THE LANGUAGE OF THE FINAL REGULATIONS MAY BE DIFFERENT FROM THAT OF THE PROPOSED REGULATIONS. YOU SHOULD COMMENT DURING THE TIME ALLOWED IF YOUR INTEREST'S COULD BE AFFECTED.