

DEPARTMENT OF REVENUE



PROPOSED CHANGES TO REGULATIONS

15 AAC 55
Oil and Gas Properties Production Tax



PUBLIC REVIEW DRAFT

July 19, 2013

COMMENT PERIOD ENDS: August 26, 2013.
Please see public notice for details about how to
comment on these proposed changes.

Notes to reader:

1. Except as discussed in note 2, proposed new text that amends an existing regulation is **bolded and underlined**.
2. If the lead-in line states that a new section, subsection, paragraph, subparagraph, or clause is being added, or that an existing section, subsection, etc. is being repealed and readopted (replaced), the new (or replaced) text is not bolded or underlined.
3. [ALL-CAPS TEXT WITHIN BRACKETS] indicates text that is proposed to be deleted.
4. When the word “including” is used, Alaska Statutes provide that it means “including, but not limited to.”

Title 15, Alaska Administrative Code, Oil and Gas Properties Production Tax

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) **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)**, all oil and gas, if any, taxable under AS 43.55.011(e), other than gas subject to AS 43.55.011(o) **and oil and 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;

(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, for a calendar year before or during 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, 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;

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

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

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 outside the Cook Inlet sedimentary basin, **and a unit within the Cook Inlet sedimentary basin after 2021,** may be treated as a single lease or property even if it contains multiple participating areas, unless any producer's ownership interests differ by 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 ___/___/2013, Register ___)

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

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

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

(b) For purposes of AS 43.55.160(f)(1) and 43.55.160(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 the lease

(1) was issued following the expiration of a former lease containing the land, the lease was not within that unit at or after the time the lease was issued, and in the case of a state lease the lease was assigned an Alaska Division of Lands (ADL) number different from that of the former lease by the Department of Natural Resources; or

(2) 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, the lease was not within that unit after it was segregated, and in the case of a state lease the lease was assigned an Alaska Division of Lands (ADL) number different from that of the existing lease by the Department of Natural Resources.

(c) 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.

(d) For purposes of AS 43.55.160(f)(3),

(1) except as otherwise provided under (3) of this subsection, oil or gas is produced from acreage added to an existing participating area and the volume of the oil or gas produced is from that acreage if and only if the oil or gas is drained from that acreage and is produced within the meaning of AS 43.55.020(e) and 15 AAC 55.151(e), regardless of whether the well through which the oil or gas is produced has a producing interval within that acreage;

(2) oil or gas that is drained from a portion of a reservoir other than the acreage added to an existing participating area is not a volume of oil or gas from that acreage, even if the oil or gas is produced through a well some or all of whose producing intervals are within that acreage;

(3) injected oil or gas that originated outside the acreage added to an existing participating area is not a volume of oil or gas from that acreage, even if the oil or gas is produced through a well with a producing interval within that acreage;

(4) “acreage” added to an existing participating area means the portion of a reservoir or reservoirs that an existing participating area is expanded to include.

(e) AS 43.55.160(g) applies 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 or gas only leases on state land 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.

(f) Except as otherwise provided in this subsection, a 20 percent reduction under AS 43.55.160(f) is applied separately to the gross value at the point of production of the qualifying oil and gas produced from each lease or property subject to AS 43.55.160(f)(1), participating area subject to AS 43.55.160(f)(2), or acreage subject to AS 43.55.160(f)(3). A 30 percent reduction is applied separately to the gross value at the point of production of the qualifying oil and gas produced from each lease or property subject to AS 43.55.160(f)(1) and 43.55.160(g). No reduction under AS 43.55.160(f) or 43.55.160(g) is applied to the gross value at the point of production of 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), participating area subject to AS 43.55.160(f)(2), or acreage subject to AS 43.55.160(f)(3) if the gross value at the point of production is negative. If acreage subject to AS 43.55.160(f)(3) is within a participating area subject to AS 43.55.160(f)(2), the 20 percent reduction is applied to the total gross value at the point of production of all of the qualifying oil and gas produced from the participating area. (Eff. ___/___/2013, Register ___).

Authority: AS 43.05.080 AS 43.55.110 AS 43.55.160

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

- 15 AAC 55.212. Procedures relating to gross value reductions.** (a) At any time, a producer may request in writing the department's determination for purposes of
- (1) AS 43.55.160(f)(1) or AS 43.55.160(g), that a specified lease or property north of 68 degrees North latitude 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;
 - (2) AS 43.55.160(f)(2), that a specified participating area north of 68 degrees North latitude 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 43.55.180(p) before January 1, 2003, and does not contain a reservoir that had previously been in a participating area established before December 31, 2011;
 - (3) 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 or gas only leases on state land 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).
- (b) A determination by the department in response to a request under (a) of this section applies only to the facts in existence at the time the determination is made and is subject to change if the relevant facts change.
- (c) At any time on or after the date an application has been submitted under regulations of the Department of Natural Resources for approval by the Department of

Natural Resources of an expansion of an existing participating area, a producer with a working interest in the acreage added or proposed to be added to the participating area may request in writing the department's determination that a specified methodology will be accepted by the department for purposes of demonstrating to the department under AS 43.55.160(f)(3) the volume of oil or gas produced from the acreage that is added to the participating area. A producer that makes a written request under this subsection shall provide written notice to all other producers that have a working interest in the participating area or the acreage to which the request applies, except for producers that have joined in the request. The notice must inform the other producers 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.

(d) A request under (c) of this section must include written documentation sufficient to support the requested determination and must be accompanied by proof that the notice required under (c) of this section has been provided. The department may require that a producer 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 a producer. If a producer that has made or joined in a request for a determination under (c) of this section or seeks to be heard on the

request asks to limit the disclosure to other participating producers of specified information the producer shows to be proprietary to the producer, the department will

(1) provide the producer 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 limiting

(A) access to the information to those legal counsel, consultants, employees, officers, and agents of the other producers who have a need to know that information for the purpose of supporting or being heard on the request; and

(B) the use of the information to use for that purpose.

(e) After considering the relevant information before the department, the department will issue a written determination in response to a request under (c) of this section, unless the acreage to which the request applies was added to the participating area before January 1, 2014. However, the department will not issue a determination 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. The department's determination will either (1) accept the specified methodology, with or without adding conditions to the acceptance; (2) reject the specified methodology on the ground that it is inadequate to demonstrate the volume of oil or gas that is produced from the added acreage or on the ground that insufficient information is available to support a determination under (1) of this subsection to accept the methodology; or (3) set out and accept a methodology that is modified or different from the methodology specified in the

request, with or without adding conditions to the acceptance. The department's determination will be governed by the provisions of 15 AAC 55.213. A determination under this subsection is subject to change based on new information about the reservoir, production history, development plans or programs, metering performance, recovery techniques, or other facts relevant to the adequacy of the methodology accepted to demonstrate to the department the volume of oil or gas that is produced from the added acreage. A change in a determination under this subsection will be made prospectively only, unless the determination was made in reliance on a producer's material misrepresentation or failure to disclose a material fact.

(f) A producer aggrieved by a determination under (a) or (e) of this section may appeal the determination under 15 AAC 05.010.

(g) In order to apply a reduction under AS 43.55.160(f)(3) in the gross value at the point of production of oil or gas produced during a calendar year from acreage added to an existing participating area, a producer shall calculate the volume of oil and gas eligible for the reduction using the applicable methodology accepted by the department under (e) of this section. After the department has accepted a methodology under (e) of this section, all producers that own a working interest in the added acreage shall use that methodology for each calendar year, until no oil or gas is produced from the added acreage, to calculate the volume of oil or gas produced from the added acreage that is eligible for a reduction in gross value at the point of production under AS 43.55.160(f)(3). If the department's determination accepting a methodology under (e)

of this section is issued after oil or gas production commences from the added acreage, a producer shall also use the methodology to calculate the eligible volume of oil or gas that was produced from the added acreage before issuance of the determination and on or after the later of (1) the date the acreage was added to the existing participating area or (2) January 1 of the calendar year during which the request under (c) of this section was made. (Eff. __/__/2013, Reg. ____)

Authority: AS 43.05.080 AS 43.55.110 AS 43.55.160

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

15 AAC 55.213. Methodologies under AS 43.55.160(f)(3). (a) A methodology under this subsection and (d) or (e) of this section will be accepted by the department under 15 AAC 55.212(e) for the purposes of demonstrating to the department the volumes of oil and gas that are from specified acreage added to an existing participating area subject to AS 43.55.160(f)(3). A methodology under this subsection accounts only for oil and gas produced from wells all of whose producing intervals are within that added acreage. The oil and gas produced from those wells is metered and their amounts determined and adjusted under (d) or (e) of this section. Those amounts are considered to be the volumes of oil and gas that are from the acreage added to the participating area. A methodology under this subsection may be used only if the producer demonstrates, based on the locations of producing wells and injector wells both within and outside that added acreage, the existence or absence of fluid communication between portions of the

reservoir, reservoir permeability and other relevant reservoir characteristics, production and injection rates, and other relevant information the department may require be provided, that no more than one-tenth of one percent of either the oil or the gas metered in accordance with (d) or (e) of this section, as applicable, during any calendar year will consist of oil or gas, respectively, drained from outside the added acreage. The methodology must include a provision for the producer to periodically verify, on a frequency approved by the department, that no more than one-tenth of one percent of either the oil or the gas metered in accordance with (d) or (e) of this section, as applicable, during any calendar year consists of oil or gas, respectively, drained from outside the added acreage.

(b) A methodology under this subsection and (d) or (e) of this section will be accepted by the department under 15 AAC 55.212(e) for the purposes of demonstrating to the department the volumes of oil and gas that are from specified acreage added to an existing participating area subject to AS 43.55.160(f)(3). A methodology under this subsection accounts only for oil and gas produced from wells all of whose producing intervals are within that added acreage or from other wells that are drilled, primarily or in substantial part, for the purpose of draining oil or gas from that added acreage. The oil and gas produced from those wells is metered and their amounts determined and adjusted under (d) or (e) of this section. Those amounts of oil and gas are reduced to exclude oil and gas produced from those wells but drained from outside the acreage added to the existing participating area and, net of those reductions, are considered to be the volumes

of oil and gas that are from the acreage added to the participating area. Part of the methodology under this subsection is a sub-methodology under (c) of this section to determine how much of the oil and gas produced from those wells are drained from outside that added acreage.

(c) For purposes of (b) of this section, the producer must demonstrate to the department that the sub-methodology to determine how much of the oil and gas are drained from outside the acreage added to the existing participating area is sufficiently reliable and accurate for the purposes of AS 43.55.160(f)(3), taking into account: the calculated volumes of original oil and gas in place within the added acreage; the estimated ultimate recovery of oil and gas from the added acreage; the remaining recoverable oil and gas from the rest of the participating area; the depletion plan for the participating area, including the added acreage; the production profile forecast for the added acreage and for the rest of the participating area; existing and planned wells in the participating area, including the added acreage; reservoir characteristics relevant to potential drainage into the added acreage from elsewhere and from the added acreage to elsewhere; reservoir simulation technologies relevant to the determination of the amounts of oil and gas that are drained into the added acreage from elsewhere and from the added acreage to elsewhere; production and injection data for participating area wells; and other information and analysis that the department considers necessary or appropriate for the purposes of AS 43.55.160(f)(3). The sub-methodology must include as one of its elements, reservoir simulation that is run and history-matched with a frequency approved

by the department, which will be no less than annually. The sub-methodology must provide for taking into account changes in conditions, information, or assumptions that affect the reliability or accuracy of the sub-methodology.

(d) Under a methodology subject to this subsection,

(1) the produced fluids from the wells referred to in (a) or (b) of this section, as applicable, without commingling with produced fluids from other wells, are mechanically separated sufficiently to yield sales quality product;

(2) subject to (g) of this section, the oil and gas from the wells are continuously metered, before commingling with oil or gas from other wells, by equipment and with procedures that are sufficient for custody transfer purposes;

(3) that metering meets the standards and requirements of 20 AAC 25.228, as amended from time to time, including the material adopted by reference in 20 AAC 25.228, 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,” unless the Alaska Oil and Gas Conservation Commission regulates the metering under 20 AAC 25.228 as the measurement of oil and gas severed from the property or unit;

(4) the amounts of oil and gas for purposes of (a) or (b) of this section, as applicable, are the metered amounts of oil and gas under this subsection, adjusted as provided under (g) – (i) of this section.

(e) Under a methodology subject to this subsection,

(1) subject to (g) of this section, the oil and gas from the wells referred to in (a) or (b) of this section, as applicable, are continuously metered, before commingling with oil or gas from other wells, by one or more multiphase flow metering systems whose accuracy is demonstrated with a 90 percent or higher level of confidence to be within plus or minus five percent;

(2) that metering 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 necessary or appropriate for the purposes of AS 43.55.160(f)(3); in determining what standards and requirements are necessary or 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;

(3) if, after being metered under (1) and (2) of this subsection, the oil and gas from the wells referred to in (a) or (b) of this section, as applicable, are commingled only with other oil and gas that have been metered in accordance with the provisions of (1) and (2) of this subsection and the commingled oil and gas are mechanically separated and metered in accordance with the provisions of (d)(1) – (3) of this section, the amount of

(A) oil for purposes of (a) or (b) of this section, as applicable, is calculated as follows and is adjusted under (g) – (j) of this section:

$$TLO \times MOA / (MOA + MON)$$

where TLO = the amount of the commingled oil metered in accordance with the provisions of (d)(1) – (3) of this section;

MOA = the amount of the oil from the wells referred to in (a) or (b) of this section, as applicable, as metered under (1) and (2) of this subsection;

MON = the amount of the other oil, as metered in accordance with the provisions of (1) and (2) of this subsection;

(B) gas for purposes of (a) or (b) of this section, as applicable, is calculated as follows and is adjusted under (g) – (i) of this section:

$$TLG \times MGA / (MGA + MGN)$$

where TLG = the amount of the commingled gas metered in accordance with the provisions of (b)(1) – (3) of this section;

MGA = the amount of the gas from the wells referred to in (a) or (b) of this section, as applicable, as metered under (1) and (2) of this subsection;

MGN = the amount of the other gas, as metered in accordance with the provisions of (1) and (2) of this subsection;

(4) if (3) of this subsection does not apply, the amounts of oil and gas for purposes of (a) or (b) of this section, as applicable, are the metered amounts of oil and

gas under this subsection from the wells referred to in (a) or (b) of this section, as applicable, adjusted as provided under (g) – (j) of this section.

(f) A methodology other than a methodology under (a) – (e) of this section will be accepted by the department under 15 AAC 55.212(e) for the purposes of demonstrating to the department the volumes of oil and gas that are from specified acreage added to an existing participating area subject to AS 43.55.160(f)(3) if the producer demonstrates to the department under this subsection that the methodology is sufficiently reliable and accurate for the purposes of AS 43.55.160(f)(3). In demonstrating that a methodology is sufficiently reliable and accurate, the producer must take into account: the calculated volumes of original oil and gas in place within the added acreage; the estimated ultimate recovery of oil and gas from the added acreage; the remaining recoverable oil and gas from the rest of the participating area; the depletion plan for the participating area, including the added acreage; the production profile forecast for the added acreage and for the rest of the participating area; existing and planned wells in the participating area, including the added acreage; reservoir characteristics relevant to potential drainage into the added acreage from elsewhere and from the added acreage to elsewhere; reservoir simulation technologies relevant to the determination of the volumes of oil and gas that are produced from the added acreage and relevant to the determination of the volumes of oil and gas that are drained into the added acreage from elsewhere or from the added acreage to elsewhere; production and injection data for participating area wells; and other information and analysis that the department considers necessary or appropriate for the

purposes of AS 43.55.160(f)(3). A methodology must include as one of its elements, reservoir simulation that is run and history-matched with a frequency approved by the department, which will be no less than annually. A methodology must provide for taking into account changes in conditions, information, or assumptions that affect the reliability or accuracy of the methodology. The department may require that, to be accepted, a methodology include well production testing with a greater frequency than is required by applicable regulatory agencies and, if not in conflict with the requirements of applicable regulatory agencies, additional or different well production testing techniques and procedures than are required by applicable regulatory agencies, and different methods to allocate metered production to wells than are required or approved by applicable regulatory agencies; or that, to be accepted, a methodology provide for adjusting well production test data based on other information or for well production test data to be used only to validate or review other elements of the methodology and not directly to establish the amounts of oil and gas recovered from the wells.

(g) If gas from the wells referred to in (a) or (b) of this section, as applicable, and metered under (d) or (e) of this section is run through a gas processing plant after being metered, the department may require that the methodology include an acceptable method to adjust the amounts of oil and gas to account for the recovery of liquid hydrocarbons at the gas processing plant. The department may require that a methodology under (f) of this section include an acceptable method to account for the recovery of liquid hydrocarbons at the gas processing plant.

(h) A methodology under (d) or (e) of this section must provide for excluding from the amount of oil or gas from the wells referred to in (a) or (b) of this section, as applicable, any portion of that 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). A methodology under (f) of this section must include an acceptable method to account for oil or gas that is not considered produced under AS 43.55.020(e) and 15 AAC 55.151(e).

(i) A methodology under (d) or (e) of this section must provide for determining and for excluding from the amount of oil or gas from the wells referred to in (a) or (b) of this section, as applicable, any portion of that oil or gas that originated outside the participating area and was injected in the participating area. A methodology under (f) of this section must include an acceptable method to account for oil or gas that originated outside the participating area and was injected in the participating area.

(j) A methodology under (e)(1), (2), and (4) of this section must provide for subtracting from the metered amount of oil the shrinkage that occurs in the mechanical separation process. (Eff. ___/___/2013, Register ___)

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, 1-800-699-9277, <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 ___/___/2013, Register ____)

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 ___/___/2013, Register ___)

Authority:	AS 43.05.080	AS 43.55.024	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 a new subsection to read:

(d) Subject to (f) of this section, the total amount of a producer's tax credits for a calendar year under AS 43.55.024(j) is calculated 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 any of the criteria in AS 43.55.160(f) or (g);

(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 (e) of this section;

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

15 AAC 55.335 is amended by adding a new subsection to read:

(e) For purposes of AS 43.55.024(j) and of (d) 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 any of the criteria in AS 43.55.160(f) or (g); the gross value at the point of production is not reduced under AS 43.55.160(f) or (g);

(2) dividing the amount calculated under (1) of this subsection by 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 any of the criteria in AS 43.55.160(f) or (g).

15 AAC 55.335 is amended by adding a new subsection to read:

(f) 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 a tax credit or credits subject to a percentage limitation under AS 43.55.023(e) or 38.05.180(i), 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.

15 AAC 55.335 is amended by adding a new subsection to read:

(g) For purposes of AS 43.55.024(i) and (j) and of (d) and (e) of this section, the volume of oil that a producer is required under 15 AAC 55.212(f) to calculate as eligible for a reduction in gross value at the point of production under AS 43.55.160(f)(3) is oil that meets a criterion in AS 43.55.160(f), regardless of whether the producer applies the allowed reduction in gross value at the point of production of that oil under AS 43.55.160(f) in the calculation of an annual production tax value under AS 43.55.160(a)(1). (Eff. 5/3/2007, Register 182; am ___/___/2013, Register ___)

Authority: AS 43.05.080 AS 43.55.024 AS 43.55.110
AS 43.55.011 AS 43.55.030 AS 43.55.160

15 AAC 55.375(a) is amended to read:

(a) For purposes of applying a percentage limitation under AS 43.55.023(e) or 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(d),

(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 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(f)**, 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(j);

(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 ___/___/2013, Register ___)

Authority:	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 a new subsection 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.

15 AAC 55.381 is amended by adding a new subsection to read:

(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(e), 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(d)(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 ___/___/2013, Register ___)

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 ___/___/2013, Register ___)

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.

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 ___/___/2013, Register ___)

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 "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 a new subsection 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).

15 AAC 55.511 is amended by adding a new subsection to read:

(g) AS 43.55.020(a)(1) and (2) apply to oil and gas produced before January 1, 2014. 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 ___/___/2013, Register ___)

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.

(Eff. 5/17/2008, Register 186; am ___/___/2013, Register ___)

Authority:	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		

Article 6 of 15 AAC 55 is amended by adding a new section to read:

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

(1) a participating area approved by the Department of Natural Resources in a unit under AS 38.01.180(p) or a participating area approved by the United States Department of the Interior in a unit 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 approved 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, gas only leases, or unleased tracts of land, or portions of oil and gas leases, gas only leases, or unleased tracts of land, that 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 that are outside a unit;

(4) except as otherwise provided under (6) of this section, an oil and gas lease, gas only 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, gas only lease, or unleased tract of land is outside a participating area described in (1) of this section, is outside a unit described in (2) of this section, and is not pooled as described in (3) of this section;

(5) the portion of an oil and gas lease, gas only 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, that is outside a participating area described in (1) of this section, is outside a unit described in (2) of this section, and 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, gas only 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 leases or unleased tracts of land. (Eff. ___/___/2013, Register ____).

Authority: 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