

15 AAC 56.100(a) is amended to read:

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(a) Property used or committed by agreement for use in the production of gas or unrefined oil, or in the operation or maintenance of facilities for the production of gas or unrefined oil will be valued on a **use value standard** [REPLACEMENT COST LESS DEPRECIATION BASIS].

Value will be determined on a replacement cost less depreciation basis using the following

methods: [DEPRECIATION WILL BE BASED UPON THE ECONOMIC LIFE OF PROVEN RESERVES, WITH DUE CONSIDERATION GIVEN TO THE ELAPSED LIFE OF THE FACILITIES.]

(1) before the commencement of regular production full and true value ^{is} will be the actual cost incurred or accrued as of the assessment date;

(2) after the commencement of regular production replacement
[REPLACEMENT] cost will be calculated **on January 1 of each calendar year** by the use of accepted appraisal techniques or other acceptable methods **and ^{will} shall reflect the full current cost of a modern replacement for the production property physically present and installed as of the assessment date, and;**

(3) depreciation will be determined on January 1 of each calendar year based on the economic life of proven reserves using the following methods:

(A) for production property serving one or more reservoirs that combined are in production ramp-up or plateau, depreciation will be determined by application of a one-percent per year deduction to the replacement cost;

(B) for production property serving one or more reservoirs that combined are in production decline, depreciation will be determined through application of a percent good factor to the replacement cost, ^(in lower case !!!) The percent good

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is factor shall be the result of applying an exponent to a quotient. The quotient will be determined by dividing the total calendar year production from each the reservoir or reservoirs for the year immediately preceding the assessment date by the calendar year historic peak production for each the reservoirs the property serves. The exponent must shall scale the quotient to ensure the correct amount of depreciation is applied to the replacement cost for the property as of the assessment date;

(4) depreciation of the replacement cost may shall not exceed 80 percent in any assessment year while a production property is in operation. If a production property is permanently no longer in operation as of the assessment date but has not yet been dismantled and removed, depreciation of the replacement cost may shall not exceed 90 percent percent in any assessment year. If new proven reserves reverse a production decline such that annual production 90 percent above 90 percent of the historic peak production, or results in a new peak of production, depreciation reverts will revert back to where it left off on the original one-percent per year schedule for the property as described in (3)(A) of this subsection, until production decline;

the department determines
 (5) The department will use the methodology set out in the provisions of this section to assess production property unless deviation from the methodology is determined necessary by the department when either (A) a new reservoir immediately and significantly underperforms relative to documented expectations and directly results in the abnormal and excessive super-adequacy of a property, or (B) a non-reservoir related circumstance occurs that significantly alters production relative to what would otherwise be typical reservoir production. A taxpayer or municipality may also request deviation from the methodology set out in this section but only under the same two circumstances. When

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requesting deviation from the methodology set out in this section the burden will be on the taxpayer or municipality to establish that deviation is necessary and that the assessment would be unequal, excessive, or improper without deviation ^{lowercase} The mere presence of a circumstances as described herein does not require the department to deviate from the methodology set out in this section if the department determines the assessment is not unequal, excessive, or improper without deviating ^{lowercase} When deviating from the methodology set out in the provisions of this section the department may rely on other acceptable methods to assess the property.

in (A) or (B) of this paragraph

In this section, § (1)

(no bold or underline)

15 AAC 56.100 is amended by adding ^anew subsections to read:

(c) "Production" means the sum of all regular production produced and sold from reservoirs served by the production property plus the amount of all other oil or gas produced that is used in the operation of those leases or other leases in drilling for or producing oil or gas, including fuel and reservoir recovery uses.

(d) "Production decline" means when production for the calendar year preceding the assessment date is 90 percent or less of the historic peak production for the reservoirs served

by the property ³⁵ (e) "Regular production" of oil or gas has the meaning ^{with respect to} provided under ^{given in}

AS 31.05.170 ¹⁴ (Eff. 3/1/75, Register 53; am 12/29/2016, Register 220; am 1 / 1 / 2018, Register 224)

Authority: AS 43.05.080 AS 43.56.060 AS 43.56.200