


**Production Tax Revenue under ACES and SB 21 from Prudhoe Bay and Kuparuk Units for Fiscal Years 2010 through 2012, based on Actual Production and Prices for Each Year**  
*(Letter from Bryan Butcher [Commissioner, ADOR] to Senator Bert Stedman, March 11, 2013.)*


**THE STATE of ALASKA**  
 GOVERNOR SEAN PARNELL

**Department of Revenue**  
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March 11, 2013


The Honorable Bert Stedman  
 Alaska State Senator  
 State Capitol, Room 30  
 Juneau, AK 99801

Dear Senator Stedman:

The purpose of this letter is to provide you with the updates you requested for the Prudhoe Bay and Kuparuk units. We also address how the proposed production tax legislation impacts the production tax paid by companies who have a working interest in these units. Unfortunately, due to confidentiality concerns, we are unable to provide you with the requested updates for P. Thomson.

With regard to the Prudhoe Bay and Kuparuk units, we have attached production tax data shown using the "Income Statement" format for FY10-12. We have also attached the same production tax data with additional columns for the proposed production tax legislation, SB 21, and CSSB 21(RES). It is important to note that the production tax estimates shown in the attached tables are calculated using average daily production, average oil prices, and average capital and operating expenditures. As such, the production tax estimates may not match actual tax paid for those units since the tax is calculated on a company-specific basis. The tables are intended to give you an illustration of the impacts of the proposed changes compared to the current ACES production tax system.

I hope you find this information to be useful. Please do not hesitate to contact me if you have further questions.

Sincerely,  
  
 Bryan Butcher  
 Commissioner

Attachment

**FY 2011 Production Tax Rounded Estimates for Prudhoe Bay and Kuparuk River Units under ACES, SB 21, and CSSB 21(RES)<sup>(1)</sup>**

	Price	Barrels	ACES	SB 21	CSSB21(RES)
Avg ANS Oil Price (\$/bbl) & Daily Production (bbl/d)	\$94.49	452,000	\$42.7	\$42.7	\$42.7
<b>Annual Production (bbl)</b>					
Total		164,880,000	\$15,589	\$15,589	\$15,589
Royalty and Federal barrels <sup>(2)</sup>		-20,622,500	(\$1,849)	(\$1,949)	(\$1,849)
<b>Taxable barrels</b>		<b>144,257,500</b>	<b>\$13,640</b>	<b>\$13,640</b>	<b>\$13,640</b>
<b>Downstream (Transportation) Costs (\$/bbl)</b>					
ANS Marine Transportation	-\$2.44				
TAPS Tariff	-\$4.02				
Other	-\$0.21				
<b>Total Transportation Costs</b>	<b>-\$7.47</b>	<b>144,257,500</b>	<b>(\$1,035)</b>	<b>(\$1,035)</b>	<b>(\$1,035)</b>
<b>Lease Expenditures</b>					
Deductible Operating Expenditures	\$0.00		(1,900)	(1,900)	(1,900)
Deductible Capital Expenditures	\$0.00		(1,000)	(1,000)	(1,000)
<b>Total Lease Expenditures</b>	<b>\$0.00</b>	<b>144,257,500</b>	<b>(\$2,900)</b>	<b>(\$2,900)</b>	<b>(\$2,900)</b>
<b>Production Tax</b>					
Production Tax Value (PTV)			\$9,705	\$9,705	\$9,705
Base Tax (25%*PTV for ACES & SB21, 35% for CSSB21(RES))			\$2,426	\$2,426	\$3,397
Production Tax Value per barrel			\$67.23		
Progressive Tax = (14.9% * PTV)			\$1,447	\$0	\$0
<b>Total Tax before credits</b>			<b>\$3,873</b>	<b>\$2,426</b>	<b>\$3,397</b>
<b>Credits (20% of Deductible Capital Exp./55/bbl Allowance)</b>			<b>(\$200)</b>	<b>\$0</b>	<b>(\$722)</b>
<b>Estimated Total Tax after credits</b>			<b>\$3,673</b>	<b>\$2,426</b>	<b>\$2,675</b>

(1) Estimates provided here are based on average daily production and average annual price and accordingly lack the company specific information and detail provided in larger models based on actual monthly data.  
 (2) Royalty, Federal and other barrels represents our best estimate of barrels that are not taxed. This estimate includes both state and federal royalty barrels, barrels produced from federal offshore property, and barrels used in production.

**FY 2010 Production Tax Rounded Estimates for Prudhoe Bay and Kuparuk River Units under ACES, SB 21, and CSSB 21(RES)<sup>(1)</sup>**

	Price	Barrels	ACES	SB 21	CSSB21(RES)
Avg ANS Oil Price (\$/bbl) & Daily Production (bbl/d)	\$66.91	488,000	\$32.7	\$32.7	\$32.7
<b>Annual Production (bbl)</b>					
Total		178,120,000	\$11,922	\$11,922	\$11,922
Royalty and Federal barrels <sup>(2)</sup>		-22,265,000	(\$1,490)	(\$1,490)	(\$1,490)
<b>Taxable barrels</b>		<b>155,855,000</b>	<b>\$10,431</b>	<b>\$10,431</b>	<b>\$10,431</b>
<b>Downstream (Transportation) Costs (\$/bbl)</b>					
ANS Marine Transportation	-\$2.00				
TAPS Tariff	-\$4.00				
Other	\$0.40				
<b>Total Transportation Costs</b>	<b>-\$5.60</b>	<b>155,855,000</b>	<b>(\$8,711)</b>	<b>(\$8,711)</b>	<b>(\$8,711)</b>
<b>Lease Expenditures</b>					
Deductible Operating Expenditures	\$0.00		(1,500)	(1,500)	(1,500)
Deductible Capital Expenditures	\$0.00		(950)	(950)	(950)
<b>Total Lease Expenditures</b>	<b>\$0.00</b>	<b>155,855,000</b>	<b>(\$2,450)</b>	<b>(\$2,450)</b>	<b>(\$2,450)</b>
<b>Production Tax</b>					
Production Tax Value (PTV)			\$7,109	\$7,109	\$7,109
Base Tax (25%*PTV for ACES & SB21, 35% for CSSB21(RES))			\$1,777	\$1,777	\$2,488
Production Tax Value per barrel			\$45.61		
Progressive Tax = (6.2% * PTV)			\$444	\$0	\$0
<b>Total Tax before credits</b>			<b>\$2,221</b>	<b>\$1,777</b>	<b>\$2,488</b>
<b>Credits (20% of Deductible Capital Exp./55/bbl Allowance)</b>			<b>(\$100)</b>	<b>\$0</b>	<b>(\$722)</b>
<b>Estimated Total Tax after credits</b>			<b>\$2,093</b>	<b>\$1,777</b>	<b>\$1,799</b>

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 (2) Royalty, Federal and other barrels represents our best estimate of barrels that are not taxed. This estimate includes both state and federal royalty barrels, barrels produced from federal offshore property, and barrels used in production.

**FY 2012 Production Tax Rounded Estimates for Prudhoe Bay and Kuparuk River Units under ACES, SB 21, and CSSB 21(RES)<sup>(1)</sup>**

	Price	Barrels	ACES	SB 21	CSSB21(RES)
Avg ANS Oil Price (\$/bbl) & Daily Production (bbl/d)	\$112.65	445,000	\$50.1	\$50.1	\$50.1
<b>Annual Production (bbl)</b>					
Total		162,425,000	\$18,297	\$18,297	\$18,297
Royalty and Federal barrels <sup>(2)</sup>		-20,303,125	(\$2,287)	(\$2,287)	(\$2,287)
<b>Taxable barrels</b>		<b>142,121,875</b>	<b>\$16,010</b>	<b>\$16,010</b>	<b>\$16,010</b>
<b>Downstream (Transportation) Costs (\$/bbl)</b>					
ANS Marine Transportation	-\$3.24				
TAPS Tariff	-\$5.06				
Other	-\$0.51				
<b>Total Transportation Costs</b>	<b>-\$8.81</b>	<b>142,121,875</b>	<b>(\$1,252)</b>	<b>(\$1,252)</b>	<b>(\$1,252)</b>
<b>Lease Expenditures</b>					
Deductible Operating Expenditures	\$0.00		(2,180)	(2,180)	(2,180)
Deductible Capital Expenditures	\$0.00		(1,000)	(1,000)	(1,000)
<b>Total Lease Expenditures</b>	<b>\$0.00</b>	<b>142,121,875</b>	<b>(\$3,180)</b>	<b>(\$3,180)</b>	<b>(\$3,180)</b>
<b>Production Tax</b>					
Production Tax Value (PTV)			\$11,578	\$11,578	\$11,578
Base Tax (25%*PTV for ACES & SB21, 35% for CSSB21(RES))			\$2,894	\$2,894	\$4,052
Production Tax Value per barrel			\$81.46		
Progressive Tax = (20.6% * PTV)			\$2,385	\$0	\$0
<b>Total Tax before credits</b>			<b>\$5,279</b>	<b>\$2,894</b>	<b>\$4,052</b>
<b>Credits (20% of Deductible Capital Exp./55/bbl Allowance)</b>			<b>(\$200)</b>	<b>\$0</b>	<b>(\$711)</b>
<b>Estimated Total Tax after credits</b>			<b>\$5,079</b>	<b>\$2,894</b>	<b>\$3,341</b>

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**FY 2012 Production Tax Rounded Estimates for Prudhoe Bay and  
Kuparuk River Units under ACES, SB 21, and CSSB 21(RES)<sup>(1)</sup>**

	Price	Barrels	ACES	SB 21	CSSB21(RES)
<b>Avg ANS Oil Price (\$/bbl) &amp; Daily Production (bbls)</b>	\$112.65	445,000	\$50.1	\$50.1	\$50.1
<b>Annual Production (bbl)</b>					
Total		162,425,000	\$18,297	\$18,297	\$18,297
Royalty and Federal barrels <sup>(2)</sup>		-20,303,125	(\$2,287)	(\$2,287)	(\$2,287)
<b>Taxable barrels</b>		142,121,875	\$16,010	\$16,010	\$16,010
<b>Downstream (Transportation) Costs (\$/bbl)</b>					
ANS Marine Transportation	-\$3.24				
TAPS Tariff	-\$5.06				
Other	-\$0.51				
<b>Total Transportation Costs</b>	-\$8.81	142,121,875	(\$1,252)	(\$1,252)	(\$1,252)
<b>Lease Expenditures</b>					
Deductible Operating Expenditures	\$0.00		(2,180)	(2,180)	(2,180)
Deductible Capital Expenditures	\$0.00		(1,000)	(1,000)	(1,000)
<b>Total Lease Expenditures</b>	\$0.00	142,121,875	(\$3,180)	(\$3,180)	(\$3,180)
<b>Production Tax</b>					
Production Tax Value (PTV)			\$11,578	\$11,578	\$11,578
Base Tax (25%*PTV for ACES & SB21, 35% for CSSB21(RES))			\$2,894	\$2,894	\$4,052
Production Tax Value per barrel	\$81.46				
Progressive Tax = (20.6% * PTV)			\$2,385	\$0	\$0
<b>Total Tax before credits</b>			\$5,279	\$2,894	\$4,052
<b>Credits (20% of Deductible Capital Exp.)/\$5/bbl Allowance</b>			(\$200)	\$0	(711)
<b>Estimated Total Tax after credits</b>			\$5,079	\$2,894	\$3,342

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