



**SUPPLEMENTAL NOTICE OF PROPOSED CHANGES ON NET PROFIT SHARE LEASING,  
ADMINISTRATIVE UPDATES AND EXPLORATION INCENTIVE CREDITS IN THE  
REGULATIONS OF THE DEPARTMENT OF NATURAL RESOURCES**

**BRIEF DESCRIPTION:** The Department of Natural Resources (“DNR”) proposes to change regulations on the calculation of the net profit share production tax lease allowance, repeal the exploration incentive credit, and make administrative changes such as updating addresses and/or providing for electronic communication in certain regulations. DNR’s proposed changes are set out in more detail in the notice of proposed regulations dated February 14, 2017.

**This is a SUPPLEMENTAL NOTICE adding to the NOTICE OF PROPOSED CHANGES that DNR issued on February 14, 2017 concerning these proposed regulations revisions contained in the Department of Law file number JU2016200840; this SUPPLEMENTAL NOTICE incorporates by reference information in the February 14, 2017 notice of proposed changes. This SUPPLEMENTAL NOTICE is being issued to modify the proposed amendments to the production tax lease allowance under 11 AAC 83.241, extend the public comment period to April 6, 2017 and change the date of the public workshop to March 22, 2017.**

The modifications to 11 AAC 83.241 in this Supplemental Notice are proposed for the following reasons:

- a. To clarify that the proposed changes to the production tax lease allowance in 11 AAC 83.241 arise from: (i) the passing of ch. 4, 4 SSLA 2016 (“HB 247”), with retroactive application to January 2017 as established in section 41 of the bill, and (ii) the goal of calculating such allowance through the use of the “net credit augmentation rate”, beginning at the time of implementation of these proposed changes to regulations. To this end, DNR is publishing an updated version of the regulations packet that better demarcates the application of these changes in terms of the month of production.
- b. To highlight the substitution of the word “rate” for the word “factor” in the original proposal’s reference to a “net credit augmentation factor.”
- c. The changes to 11 AAC 83.241 include the following: (i) introduce the concept of “production tax before credits;” (ii) define the calculation of the production tax before credits for a month after the implementation of these proposed changes; (iii) define the calculation of the credits that are allocated to the NPSL for a month after the implementation of section 26 of HB 247, when applicable, and for a month after the implementation of these proposed changes; (iv) establish that the 20 percent reduction to the production revenue net of royalty that is attributable to the NPSL and associated to taxable production meeting one or more criteria in AS 43.55.160(f) will have an expiration date, as specified in section 26 of HB 247, and shall no longer be used in the calculation of the carried-forward loss credit, under AS 43.55.023(b), that is attributable to the NPSL, as specified in section 18 of HB 247; (v) introduce the “net credit augmentation rate” to calculate the production tax lease allowance in the case where, if the NPSL is in “payout” status, there is a reduction to the production revenue net of royalty for the production qualifying under AS 43.55.160(f) or in the case where the value of the credits in is greater than the minimum tax.

You may comment on the proposed regulation changes, including the potential costs to private persons of complying with the proposed changes, by submitting written comments to Jim Shine at the Department of Natural Resources, Division of Oil and Gas, 550 W. 7<sup>th</sup> Avenue, Suite 1100, Anchorage, Alaska 99501-3563. Additionally, DNR will accept comments by electronic mail to [jim.shine@alaska.gov](mailto:jim.shine@alaska.gov) or by facsimile at (907) 269-8939. Comments may also be submitted through the Alaska Online Public Notice System, by accessing this notice on the system and using the comment link. Since DNR is submitting additional changes to the proposed language of the production tax lease allowance under 11 AAC 83.241

through this supplemental notice, the public comment period will be extended. **Written comments must now be received no later than 4:30 pm on Thursday, April 6, 2017.**

DNR will hold a public workshop on the proposed changes related to the calculation of the production tax lease allowance under 11 AAC 83.241, the mathematics behind the definition of the net credit augmentation rate, and the reporting information required for the completion of the NPSL forms (VV, AC, and PT forms). No comments on the proposed regulations will be taken at the workshop. Since DNR is submitting additional changes to the proposed language of the production tax lease allowance under 11 AAC 83.241 through this supplemental notice, DNR has also prepared changes to the NPSL report template. **The public workshop will now be held from 9am to 11am on Wednesday, March 22, 2017,** in Suite 1270 of the Atwood Building located at 550 West 7<sup>th</sup> Ave., Anchorage, AK 99501-3563. Interested parties outside of Anchorage are invited to participate by teleconference by dialing the toll-free conference call number 1-800-315-6338. When asked for the participant PIN code, enter 94505#.

You may submit written questions relevant to the proposed action to Jim Shine by email at [jim.shine@alaska.gov](mailto:jim.shine@alaska.gov) and at the Department of Natural Resources, 550 W. 7<sup>th</sup> Avenue, Suite 1100, Anchorage, Alaska 99501-3563. The questions must be received at least 10 days before the end of the public comment period. DNR will aggregate its response to substantially similar questions and make the questions and responses available on the Alaska Online Public Notice System (<https://aws.state.ak.us/OnlinePublicNotices/Default.aspx>) and the DNR Division of Oil and Gas (<http://dog.dnr.alaska.gov/>) websites.

If you are a person with a disability who needs a special accommodation in order to participate in this process, please contact Jim Shine at [jim.shine@alaska.gov](mailto:jim.shine@alaska.gov) or (907) 269-8939 no later than Wednesday, March 15, 2017 to ensure that any necessary accommodations can be provided.

Copies of the updated “Proposed Changes to Regulations” and the “NPSL report template” referenced in this supplemental notice are available on the Alaska Online Public Notice System, the DNR Division of Oil and Gas website, and by contacting Jim Shine at [jim.shine@alaska.gov](mailto:jim.shine@alaska.gov) or (907) 269-8939.

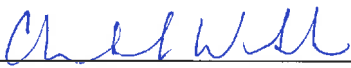
After the public comment period ends on Thursday, April 6, 2017, DNR will either adopt the proposed regulation changes or other provisions dealing with the same subject, without further notice, or decide to take no action. The language of the final regulations may be different from that of the proposed regulations. You should comment during the time allowed if your interests could be affected.

Statutory authority: AS 38.05.020, Sec. 37, HB 247.

Statutes being implemented, interpreted, or made specific: AS 38.05.180, AS 38.05.183, Sec. 33 of HB247, Sec. 38 of HB247, Sec. 41 of HB 247.

Fiscal information: The proposed regulation changes are not expected to require an increased appropriation.

Date: March 1, 2017  
Anchorage, Alaska

  
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Chantal Walsh  
Director, Division of Oil and Gas