

REPRESENTATIVE SEATON, regarding a durable system that may get locked in for a long period of time, related it is projected that the in-field producing areas are where quick turnaround could come from when people talk about three years. He inquired whether it would be advisable to have some criteria built in around production. For example, if a company were to cut its specific rate of decline by 50 percent it would receive a per barrel credit of \$7 instead of \$5, or if a company did not meet that requirement its per-barrel credit would be reduced from \$5 to \$2. He said it seems there needs to be some hook in the tax system that gives more advantage or disadvantage for actual production. He further asked whether the administration has thought about doing anything that actually requires production.

COMMISSIONER BUTCHER replied it was looked at, but did not make sense for two reasons. First, a simple tax structure that is easier to understand has value. Second, many different variables play roles in what a decline has been for a company, what a decline has been for a field. For example, in Field A it makes sense economically for the company to spend a lot to stem the decline to, say, 2 percent over a period of time, but in Field B a company has a 7 percent decline and does not spend as much. By incentivizing the rate of decline you would be rewarding the company in Field B that might not have been putting the work into stemming the decline that the company in Field A would be. Issues like that are what play into variables that result in unintended consequences.