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**OFFICE OF THE LIEUTENANT GOVERNOR  
ALASKA**

**MEMORANDUM**

**TO:** Ginger Blaisdell, AAC Contact  
Department of Revenue

**FROM:** Benjamin Shier   
Special Assistant  
907.465.4081

**DATE:** February 1, 2010

**RE:** Filed Permanent Regulations: Department of Revenue

Oil and Gas Production Tax and Deductible Lease Expenditures: 15 AAC 55.250; .260;  
.270(a), (e), (f); .271; .800(a). (i); 15 AAC .900(a)(23) - (26), (b)(25)

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Attorney General File:	993-08-0127
Regulation Filed:	1/29/2010
Effective Date:	2/28/2010
Print:	193, April 2010

cc with enclosures: Linda Miller, Department of Law  
Jim Pound, Administrative Regulation Review Committee  
Judy Herndon, LexisNexis  
Jonathan Inversen, DOR  
Jenny L. Rogers, DOR  
John Larsen, DOR

ORDER ADOPTING CHANGES TO  
REGULATIONS OF ALASKA DEPARTMENT OF REVENUE


The attached nineteen pages of regulations, dealing with the oil and gas production tax, AS 43.55, are hereby adopted and certified to be a correct copy of the regulation changes that the Alaska Department of Revenue adopts under the authority of AS 43.05.080, AS 43.55.110, AS 43.55.165, Sec. 37, ch.2, TSSLA 2006, and Sec. 72, ch. 1, SSSLA 2007, and after compliance with the Administrative Procedure Act (AS 44.62), specifically including notice under AS 44.62.190 and AS 44.62.200 and opportunity for public comment under AS 44.62.210.

This action is not expected to require an increased appropriation.

In considering public comments, the Department of Revenue paid special attention to the cost to private persons of the regulatory action being taken.

The regulation changes adopted under this order take effect on the 30<sup>th</sup> day after they have been filed by the lieutenant governor, as provided in AS 44.62.180.

DATE: 1/26/2010  
Anchorage, Alaska

  
Jonathan E. Iversen  
Director, Tax Division

*Benjamin P. Shier for* FILING CERTIFICATION  
I, *Craig E. Campbell*, Lieutenant Governor for the State of Alaska, certify that on January 28, 2010, at 4:55 pm., I filed the attached regulations according to the provisions of AS 44.62.040 – 44.62.120.

  
Lieutenant Governor *Craig E. Campbell*

Effective: February 27, 2010  
Register: 193, April 2010

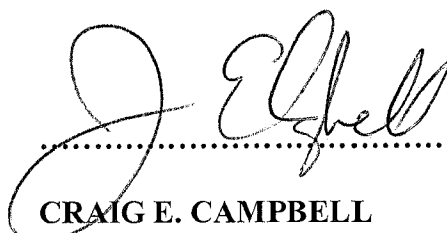
**FOR DELEGATION OF THE LIEUTENANT GOVERNOR'S AUTHORITY**

**I, CRAIG E. CAMPBELL, LIEUTENANT GOVERNOR OF THE STATE OF ALASKA, designate the following state employee to perform the Administrative Procedures Act filing functions of the Office of the Lieutenant Governor:**

**BENJAMIN SHIER, Special Assistant**

**IN TESTIMONY WHEREOF, I have signed and affixed the Seal of the State of Alaska, at Anchorage, on August 10, 2009.**



  
.....  
**CRAIG E. CAMPBELL**  
**LIEUTENANT GOVERNOR**

# State of Alaska

Department of Revenue

Office of the Commissioner

Patrick S. Galvin



SARAH PALIN, GOVERNOR

333 Willoughby Avenue, 11<sup>th</sup> Floor

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## DELEGATION OF AUTHORITY

In accordance with AS 44.17.010, the authority and responsibility for adopting regulations under the Alaska Administrative Procedure Act for the following is hereby delegated to **Marcia Davis**, Deputy Commissioner, and **Jonathan Iversen**, Tax Division Director when I am unavailable:

Alaska Net Income Tax Act (AS 43.20),  
Estate Tax (AS 43.31),  
Motor Fuel Tax (AS 43.40),  
Tobacco Taxes and Sales (AS 43.50),  
Transportation Taxes (AS 43.52),  
Oil and Gas Production Taxes and Oil Surcharge (AS 43.55),  
Oil and Gas Exploration, Production and Pipeline Transportation  
Property Taxes (AS 43.56),  
Excise Tax on Alcoholic Beverages (AS 43.60),  
Mining License Tax (AS 43.65)  
Fisheries Business License and Taxes (AS 43.75),  
Fisheries Taxes and Assessments (AS 43.76)  
Fishery Resource Landing Tax (AS 43.77),  
Tire Fees (AS 43.98.025)  
Games of Chance and Contests of Skill (AS 05.15),  
Unclaimed Property (AS 34.45)

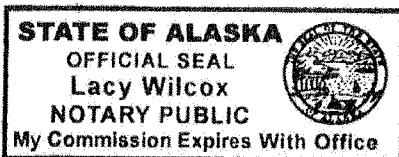
SIGNED: \_\_\_\_\_

Patrick S. Galvin  
Commissioner  
Department of Revenue

SIGNED AND SWORN TO BEFORE ME THIS 18<sup>TH</sup> DAY OF JULY, 2008

SIGNED: \_\_\_\_\_

Notary Public in and for the  
State of Alaska



MY COMMISSION EXPIRES: with office

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

**15 AAC 55.250. Standards for lease expenditures other than overhead.** (a) Unless the department has approved or required use of an operating agreement under AS 43.55.165(c) or (d), as those provisions read on June 30, 2007, costs incurred before July 1, 2007, other than an allowance for overhead expenses under 15 AAC 55.270, are ordinary and necessary costs upstream of the point of production of oil and gas and direct costs of exploring for, developing, or producing oil or gas deposits, under AS 43.55.165(a), as that provision read on June 30, 2007, only if they are

(1) direct charges under 15 AAC 55.260 incurred for an activity or purpose described in (c) of this section; and

(2) not excluded under AS 43.55.165(e), as that provision read on June 30, 2007, or under AS 43.55.165(e)(6) and (19), as amended and enacted by sec. 60, ch. 1, SSSLA 2007, to the extent made retroactive to April 1, 2006, by sec. 74(b), ch. 1, SSSLA 2007.

(b) Costs incurred after June 30, 2007, satisfy the requirements established in AS 43.55.165(a)(1)(B), as enacted by sec. 58, ch. 1, SSSLA 2007, only if they are

(1) direct charges under 15 AAC 55.260 incurred for an activity or purpose described in (c) of this section; and

(2) not excluded under AS 43.55.165(e), as amended by sec. 60, ch. 1, SSSLA 2007.

(c) The activities or purposes referred to in (a) and (b) of this section are

(1) conducting a geological or geophysical survey to explore for oil or gas;

(2) performing a geological, geophysical, geotechnical, or geochemical

examination or investigation specific to a reservoir to support development of that reservoir;

(3) processing or interpreting data acquired from an activity described in (1) or (2) of this subsection to support oil or gas exploration, development, or production operations;

(4) designing, surveying, preparing, constructing, operating, or maintaining a drill site for an exploration well or a well to produce oil or gas or to support oil or gas production;

(5) transporting, mobilizing, or demobilizing a rig, coil tubing unit, or similar equipment, or associated supplies, to and on a drill site to drill or perform downhole operations described in (6) - (8) of this subsection on a well described in (4) of this subsection; demobilization does not include transportation out of the state;

(6) designing, drilling, testing, logging, completing, operating, maintaining, repairing, or suspending a well described in (4) of this subsection;

(7) plugging and abandoning an exploration well, but excluding restoration of the drill site;

(8) plugging a well described in (4) of this subsection, or a portion of the well, for the purpose of redrilling;

(9) designing, constructing, acquiring, transporting, installing, operating, repairing, or maintaining an oil or gas production facility or equipment;

(10) designing, constructing, acquiring, transporting, installing, operating, repairing, or maintaining a communications system for communications between the site of oil or gas exploration, development, or production operations, and the operator's headquarters in the state, and that are necessary for the operations;

(11) designing, constructing, acquiring, transporting, installing, operating, repairing, or maintaining a field automation system solely dedicated to and specific to a unit or a lease or property and necessary for oil or gas production operations of the unit or the lease or property;

(12) preparing and submitting an application, data, or report necessary to obtain or maintain a governmental permit or similar governmental approval for oil or gas exploration, development, or production operations, or for a facility, equipment, or infrastructure described in (16) of this subsection;

(13) performing an archaeological, geophysical, or environmental survey or preparing an environmental impact statement required by law or otherwise required by a government agency, or required by an oil and gas lease, for oil or gas exploration, development, or production operations, or for a facility, equipment, or infrastructure described in (16) of this subsection, or otherwise complying with environmental requirements imposed by law or oil and gas lease for those operations, or for that facility, equipment, or infrastructure;

(14) performing one or more of the following activities with respect to an oil or hazardous substance cleanup contingency plan, fire response plan, or disaster recovery plan required for safe operation or by law or oil and gas lease, for oil or gas exploration, development, or production operations, or for a facility, equipment, or infrastructure described in (16) of this subsection:

(A) preparing and maintaining the plan;

(B) training personnel or performing practice drills, monitoring, or

inspection under the plan;

(C) obtaining and maintaining equipment and supplies required under the plan to be routinely kept on hand;

(15) monitoring and maintaining the safety of personnel located at the site, or in the vicinity, of oil or gas exploration, development, or production operations;

(16) designing, constructing, acquiring, transporting, installing, operating, repairing, or maintaining a facility, equipment, or infrastructure that is located in the vicinity of and is used to support oil or gas exploration, development, or production operations; that facility, equipment, or infrastructure

(A) includes

(i) camps;

(ii) operations centers;

(iii) laboratories;

(iv) staging pads, roads, bridges, docks, helipads, landing areas,

and similar transportation structures;

(v) medical facilities;

(vi) emergency response facilities;

(vii) storage facilities;

(viii) security facilities;

(ix) repair and maintenance shops; and

(x) vehicles;

(B) does not include refineries, topping plants, or other manufacturing facilities.



(d) A cost incurred jointly for both an activity or purpose described in (c) of this section and an activity or purpose not described in (c) of this section must be allocated between the activity or purpose described in (c) of this section and the other activity or purpose using a reasonable allocation methodology.

(e) Costs incurred before July 1, 2007, that satisfy the requirements of (a)(1) and (2) of this section are not a producer's or explorer's lease expenditures under AS 43.55.165(a), as that provision read on June 30, 2007, unless the costs are costs, incurred by the producer after March 31, 2006, of exploring for, developing, or producing oil or gas deposits located within the producer's leases or properties in the state or, in the case of land in which the producer or explorer does not own a working interest, are costs, incurred by the producer or explorer after March 31, 2006, of exploring for oil or gas deposits located within other land in the state.

(f) Costs incurred after June 30, 2007, that satisfy the requirements of (b)(1) and (2) of this section are not a producer's or explorer's lease expenditures under AS 43.55.165(a), as repealed and reenacted by sec. 58, ch. 1, SSSLA 2007, unless the costs also satisfy the requirements of AS 43.55.165(a)(1)(A), as enacted by sec. 58, ch. 1, SSSLA 2007.

(g) For purposes of this section, "designing" is limited to activities specific to an identifiable well, facility, item of equipment, or system, and does not include activities of more general applicability or that would ordinarily be considered research and development. (Eff.

2 / 27 / 2010 Register 193)

<b>Authority:</b>	AS 43.05.080	AS 43.55.160	AS 43.55.170
	AS 43.55.110	AS 43.55.165	

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

**15 AAC 55.260. Direct charges.** (a) Except as limited by (d) and (e) of this section, direct charges for purposes of 15 AAC 55.250(a) and (b) are

(1) costs paid to real property owners to acquire surface rights in real property located in the vicinity of oil or gas exploration, development or production operations, and used in support of those operations;

(2) net profit shares required to be paid to the state under leases issued under AS 38.05.180(f)(3)(B), (D), or (E) and paid after June 30, 2007;

(3) labor costs, not including work on tax, legal, purchasing, or accounting matters, or matters involving a dispute before a government agency, in the form of salaries and wages of

(A) employees of the operator, when those employees are directly employed in or in support of oil or gas exploration, development, or production operations, and

(i) on the site or in the vicinity of those operations;

(ii) in transit to or from the site or vicinity of those operations;

(iii) on a site of a system described in 15 AAC 55.250(c)(10) or (11) if assigned to and working on that system; or

(iv) on the site of the construction, transportation, repair, or maintenance of a facility, a system, equipment, or infrastructure described in 15 AAC 55.250(c)(9) - (11) or (16) if assigned to and working on that construction, transportation, repair, or maintenance; or

(B) any of the following employees of the operator, while those employees are assigned to a specific lease or property or unit that is the subject of oil or gas exploration, development, or production, and only as to that portion of the salaries and wages attributable to the time actually devoted to that exploration, development, or production, as supported by an approved timesheet or other time writing document:

(i) technical employees having special and specific engineering, geological, or other technical skills, including engineers, geologists, geophysicists, environmental specialists, and other technical personnel whose primary function with respect to that exploration, development, or production is the handling of specific problems or operating conditions involving the oil or gas exploration, development, or production operations or the support of those operations;

(ii) employees engaged in developing field automation systems dedicated to and specific to a unit or a lease or property and necessary for oil or gas production operations of the unit or the lease or property;

(iii) employees engaged in developing computer applications specific to a unit or a lease or property and necessary for oil or gas development or production operations of the unit or the lease or property;

(4) costs of employee training that directly relates to the job duties for the employees described in (3) of this subsection; the costs of professional memberships, dues, or periodicals, or of education or training in pursuit of an academic degree or professional credential, are not direct charges;

(5) expenditures or contributions made under assessments imposed by governmental authority that are applicable to the operator's labor costs described in (3) of this subsection; as to workers' compensation, if the operator self-insures, it may treat as an expenditure or contribution under this paragraph the charge that is regularly recorded as an accrual in the operator's general ledger as representing the fair and reasonable cost of the self-insurance;

(6) reasonable expenses incurred or reimbursed by the employer of those employees described in (3) of this subsection for travel by those employees to or from the site or vicinity of oil or gas exploration, development, or production operations, and for associated living quarters and meals; a reasonable per diem allowance, if paid by the employer in place of reimbursement of actual expenses, may be substituted for actual expenses for living quarters and meals;

(7) the employer's share of contributions to established plans for employee group life, disability, or medical insurance, pension, retirement, stock purchase, thrift, bonus, or other similar benefit plans, applicable to the operator's labor costs described in (3) of this subsection, if

(A) the plans are available on a regular basis to all employees of the operator who are directly working in oil or gas exploration, development, or production operations, other than employees excluded from a plan's coverage because of participation under a collective bargaining agreement; and

(B) the amount of the employer's share of contributions does not exceed the following percentage, as applicable, of the costs under (3) of this subsection incurred for employees covered by the plans:

REVENUE

- (i) 32 percent for calendar year 2006;
- (ii) 33 percent for calendar year 2007;
- (iii) 36 percent for calendar year 2008;
- (iv) 35 percent for calendar year 2009;
- (v) 30 percent for a calendar year after 2009;

(8) the employer's share of contributions to established plans for employee group life, disability, or medical insurance, pension, retirement, stock purchase, thrift, bonus, or other similar benefit plans, applicable to the operator's labor costs described in (3) of this subsection, and available to employees under a collective bargaining agreement;

(9) costs to purchase or transport a facility, equipment, materials, or supplies used in oil or gas exploration, development, or production operations;

(10) costs to purchase or transport a facility, a system, equipment, or infrastructure described in 15 AAC 55.250(c)(10), (11), or (16), or to purchase or transport equipment, materials, or supplies used in a facility, a system, equipment, or infrastructure described in 15 AAC 55.250(c)(10), (11), or (16);

(11) costs paid to a third party for contract services, utilities, or use of a facility equipment, or infrastructure provided by the third party and used in oil or gas exploration, development, or production operations, or used in support of those operations, or for use of a system described in 15 AAC 55.250(c)(10) or (11) provided by the third party; for purposes of this paragraph,

(A) contract services

- (i) do not include work in tax, legal, or accounting matters, or

matters involving a dispute before a government agency;

(ii) are limited to services the labor costs of which, under (3) of this subsection, would be allowable as direct charges if the operator's employees performed the services;

(B) support facilities, equipment, and infrastructure are limited to the categories described in 15 AAC 55.250(c)(16);

(12) costs charged to a unit or other joint operation for use in its oil or gas exploration, development, or production operations of a facility or equipment that

(A) is wholly or partly owned by a producer or explorer with an interest in the unit or other joint operation; and

(B) is not, and has not previously been, wholly or partly owned or acquired by or on behalf of the unit or other joint operation;

(13) a premium paid to a third-party insurer for insurance covering oil or gas exploration, development, or production operations;

(14) standby costs paid to a third party drilling rig contractor, and incurred

(A) while rig operations are deferred, suspended, or curtailed by reason of force majeure or another cause beyond the reasonable control of the operator; or

(B) to secure a rig for drilling if the rig is actually used for the operation for which it was secured;

(15) payments of property taxes, sales or use taxes, motor fuel taxes, or excise taxes if incurred with respect to the sale, acquisition, ownership, or use of a good, service, or property, the cost of which is a lease expenditure under AS 43.55.165, or would be a lease

expenditure if incurred during the period for which the payment is made;

(16) payments in lieu of property taxes, sales or use taxes, motor fuel taxes, or excise taxes that would otherwise be incurred with respect to the sale, acquisition, ownership, or use of goods, services, or property, the cost of which is a lease expenditure under AS 43.55.165, or would be a lease expenditure if incurred during the period for which the payment is made;

(17) a regulatory cost charge under AS 31.05.093;

(18) a fee charged by a government agency for a regulatory license, permit, or similar regulatory approval required for oil or gas exploration, development, or production operations, or for a facility, equipment, or infrastructure described in 15 AAC 55.250(c)(16);

(19) costs to transport to the injection site, oil, gas, or other fluid recovered from a well and injected for reservoir pressure maintenance, repressuring, or enhanced recovery purposes, and costs paid to a third party producer to purchase that oil, gas, or other fluid from the producer;

(20) if a producer owns a refinery or crude oil topping plant that is located on or near the premises of the producer's lease or property in the state and that processes the producer's oil produced from that lease or property into a product that the producer uses in the operation of the lease or property in drilling for or producing oil or gas, the amount calculated by subtracting from the fair market value of the product used the prevailing value of the oil that is processed; for purposes of this paragraph,

(A) the amount of the oil that is processed equals the number of barrels of the product into which the oil is processed;

(B) the prevailing value of the oil that is processed in a field topping plant

in the Alaska North Slope area is the gross value at the point of production of that oil as determined under 15 AAC 55.163(b);

(21) costs paid to a third party to acquire geological or geophysical data used in oil or gas exploration, development, or production operations.

(b) For purposes of this section, an employee's salary or wages for a given period of time includes the cost in salary or wages for the employee's earned or compensatory time off attributable to the employee's work during that time period.

(c) In the absence of evidence to the contrary, and for purposes of AS 43.55.165(e)(12), the department will accept a charge under (a)(12) of this section as being not more than fair market value if the charge does not exceed the cost calculated on the basis of the net book value of the equipment or facility multiplied by the number of hours, days, miles, or throughput volumes for which the equipment or facility is used in the oil or gas exploration, development, or production operations, divided by the number of hours, days, miles, or throughput volumes, as applicable, of estimated remaining useful life of the equipment or facility, or calculated using another method approved by the department. For purposes of this subsection, "net book value" means the dollar amount the owner of an asset records in its financial statements, consistent with generally accepted accounting principles, as the historical cost of the asset, excluding capitalized interest and net of accumulated depreciation or amortization, if the historical cost does not exceed the fair market value of the asset at the time it was acquired by the owner.

(d) Except for a cost described in (a)(2), (13), or (19) of this section, a cost that relates to the exploration, development, or production of oil or gas deposits that are subject to a unit operating agreement or other agreement that provides for an operator to conduct the oil or gas



exploration, development, or production on behalf of itself and other producers or explorers is not a direct charge under this section if the cost is not (1) incurred in the first instance by the operator on behalf of the producers or explorers under the agreement; (2) actually billed to the producers or explorers under the agreement; and (3) paid, as to the producer's or explorer's share, by the producer or explorer to whom that share is billed. For purposes of this subsection, an agreement includes an instrument or arrangement among the parties to the agreement that modifies a party's rights or obligations under the agreement.

(e) A fee or other consideration paid to, or for the benefit of, a producer in connection with the use of a facility in which that producer has an ownership interest is not a direct charge under this section to the extent that the fee or other consideration

(1) compensates that producer for the deferral or loss of that producer's oil or gas production resulting from the payer's use of the facility; or

(2) reimburses that producer for its additional tax liability resulting from the receipt of fees or other consideration in connection with the payer's use of the facility.

(f) Direct charges under this section are net of any credits, refunds, reimbursements, purchase discounts, and cost recoveries, unless the credit, refund, reimbursement, or cost recovery is accounted for as an adjustment to lease expenditures under AS 43.55.170. For purposes of this subsection, "credits" do not include tax credits.

(g) For purposes of this section, "operator" means, in the case of

(1) a producer or explorer carrying out oil or gas exploration, development, or production on behalf of itself, that producer or explorer;

(2) a unit operating agreement or other agreement that provides for an operator to

carry out oil or gas exploration, development, or production on behalf of itself and other producers or explorers, the producer or explorer acting as operator under that agreement. (Eff.

2 / 27 / 2010 Register 193)

<b>Authority:</b>	AS 43.05.080	AS 43.55.160	AS 43.55.170
	AS 43.55.110	AS 43.55.165	

15 AAC 55.270(a) is amended to read:

**15 AAC 55.270. Overhead before {the first day of the first month that begins on or after the effective date of these regulation changes}.** (a) This subsection applies only to determining allowable overhead expenses under AS 43.55.165(a) and (b), **as those provisions read on June 30, 2007, and under AS 43.55.165(a), as repealed and reenacted by sec. 58, ch. 1, SSSLA 2007.** For purposes of AS 43.55.165(b)(1)(C), **as that provision read on June 30, 2007, and AS 43.55.165(a)(2), as repealed and reenacted by sec. 58, ch. 1, SSSLA 2007,** a reasonable allowance for a producer's or explorer's overhead expenses directly related to exploring for, developing, **or** [AND] producing oil or gas deposits located within a lease or property or other land in the state is the sum of

(1) three percent of the producer's or explorer's non-overhead lease expenditures that are qualified capital expenditures; and

(2) nine percent of the producer's or explorer's non-overhead lease expenditures that are not

(A) qualified capital expenditures; [OR]

(B) payments of or in lieu of taxes; **or**

**(C) net profit share payments under 15 AAC 55.260(a)(2).**

15 AAC 55.270 is amended by adding new subsections to read:

(e) The provisions of (a)(2)(C) of this section apply to expenditures incurred after June 30, 2007.

(f) This section applies to expenditures incurred before *{the first day of the first month that begins on or after the effective date of these regulation changes}*. (Eff. 5/3/2007, Register 182; am 2 / 27 / 2010 Register 193)

**Authority:** AS 43.05.080 AS 43.55.110 AS 43.55.165

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

**15 AAC 55.271. Overhead on or after *{the first day of the first month that begins on or after the effective date of these regulation changes}*.** (a) For purposes of AS 43.55.165(a)(2), as repealed and reenacted by sec. 58, ch. 1, SSSLA 2007, a reasonable allowance for the calendar year for a producer's or explorer's overhead expenses directly related to exploring for, developing, or producing oil or gas deposits located within a lease or property or other land in the state is 4.5 percent of the producer's or explorer's lease expenditures, net of adjustments under AS 43.55.170, that are incurred during the calendar year and that are allowed as direct charges under 15 AAC 55.260, excluding

- (1) payments of or in lieu of taxes other than
  - (A) payroll taxes under 15 AAC 55.260(a)(3);
  - (B) sales taxes, use taxes, or excise taxes on goods or services;

(2) net profit share payments under 15 AAC 55.260(a)(2).

(b) An allowance for overhead expenses is not a qualified capital expenditure.

(c) This section applies to expenditures incurred on or after *{the first day of the first month that begins on or after the effective date of these regulation changes}*. (Eff.

2 / 27 / 2010, Register 193)

**Authority:** AS 43.05.080 AS 43.55.110 AS 43.55.165

15 AAC 55.800(a) is amended to read:

(a) The following provisions apply retroactively to April 1, 2006, to oil and gas produced after March 31, 2006:

(1) 15 AAC 55.192;

(2) 15 AAC 55.205;

(3) 15 AAC 55.215;

(4) 15 AAC 55.223;

(5) 15 AAC 55.245;

(6) 15 AAC 55.270, except 15 AAC 55.270(a)(2)(C) and (e), which apply

retroactively to July 1, 2007;

15 AAC 55.275 (7) 15 AAC 275 - 15 AAC 55.315;

(8) [15 AAC 55.245 - 15 AAC 55.315;

(6)] 15 AAC 55.330 – 15 AAC 55.340;

(9) [(7)] 15 AAC 55.345 – 15 AAC 55.355;

(10) [(8)] 15 AAC 55.370 - 15 AAC 55.380;

**(11)** [(9)] 15 AAC 55.410;

**(12)** [(10)] 15 AAC 55.420;

**(13)** [(11)] 15 AAC 55.430;

**(14)** [(12)] 15 AAC 55.440;

**(15)** [(13)] 15 AAC 55.510;

**(16)** [(14)] 15 AAC 55.810;

**(17)** [(15)] 15 AAC 55.850;

**(18) 15 AAC 55.900(a)(21) - (26) and (b)(21) - (25)** [(16) 15 AAC 55.900(a)(21) - (22) AND (b)(21) - (24)].

15 AAC 55.800 is amended by adding a new subsection to read:

(i) The provisions of 15 AAC 55.250 and 15 AAC 55.260 apply retroactively to April 1, 2006, with respect to costs incurred before July 1, 2007, and otherwise apply retroactively to July 1, 2007. (Eff. 5/3/2007, Register 182; am 10/21/2009, Register 192; am 2 / 27 / 2010

Register 193)

**Authority:** AS 43.05.080      Sec. 37, ch. 2, TSSLA 2006      Sec. 72, ch. 1, SSSLA 2007  
AS 43.55.110

15 AAC 55.900(a) is amended by adding new paragraphs to read:

(23) "oil or gas development operations" means the physical operations conducted in the field to

(A) drill and complete wells to produce oil or gas or to support oil or gas

production, including installation of a drill pad or structure; or

(B) install oil or gas production equipment or facilities;

(24) "oil or gas exploration operations" means the physical operations conducted in the field to

(A) drill and obtain subsurface information from an exploration well, including installation of a drill pad or structure; or

(B) explore for oil or gas using geological or geophysical exploration techniques;

(25) "oil or gas production facility or equipment"

(A) means a facility or equipment other than a well that is used in oil or gas production operations and that handles produced fluids upstream of the point of production or fluids injected in a reservoir for reservoir pressure maintenance, repressuring, or enhanced recovery purposes;

(B) does not include a refinery, crude oil topping plant, or other manufacturing facility; for purposes of this subparagraph, "manufacturing facility" does not include a gas processing plant;

(26) "oil or gas production operations"

(A) means the physical operations conducted in the field to

(i) lift oil or gas to the surface;

(ii) gather, separate, treat, and store on the surface well fluids upstream of the point of production; in this sub-subparagraph, "treat" does not include performing gas treatment as defined in AS 43.55.900;

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- (iii) perform gas processing upstream of the point of production;
- (iv) meter oil or gas upstream of the point of production; and
- (v) inject fluids in the reservoir from which the oil or gas is being produced, for reservoir pressure maintenance, repressuring, or enhanced recovery purposes;

(B) does not include compression of gas for the purpose of gas treatment as defined in AS 43.55.900 or of transporting gas to a market.

15 AAC 55.900(b) is amended by adding a new paragraph to read:

(25) "other land" means, with respect to costs of exploration, land the right to explore for oil or gas deposits within which, or the right to drill a stratigraphic test well on which, has been granted by license or permit by the property owner to the producer or explorer that incurs, or on behalf of whom is incurred, the costs of that exploration.

(Eff. 1/1/95, Register 132; am 1/1/2000, Register 152; am 1/1/2002, Register 160; am 1/1/2003, Register 164; am 1/1/2004, Register 168; am 5/3/2007, Register 182; am 10/21/2009, Register 192; am 2 / 27 / 2010, Register 193 )

<b>Authority:</b>	AS 43.05.080	AS 43.55.024	AS 43.55.160
	AS 43.55.011	AS 43.55.025	AS 43.55.165
	AS 43.55.020	AS 43.55.110	AS 43.55.170
	AS 43.55.023	AS 43.55.150	AS 43.55.900