

SUPPLEMENTAL NOTICE OF PROPOSED CHANGES IN THE REGULATIONS  
OF THE  
DEPARTMENT OF REVENUE

The Department of Revenue proposes to adopt regulation changes in Title 15, Chapter 55, of the Alaska Administrative Code, dealing with the oil and gas production tax. This is a SUPPLEMENTAL NOTICE adding to the NOTICE OF PROPOSED CHANGES that was issued on February 8, 2010. This SUPPLEMENTAL NOTICE incorporates by reference the contents of the NOTICE OF PROPOSED CHANGES issued on February 8, 2010, and is being issued because the department is adding to and revising the description of proposed regulation changes being publicly noticed for 15 AAC 55.173, 15 AAC 55.193, and 15 AAC 55.900. The revised descriptions regarding these sections are as follows:

- (5) 15 AAC 55.173, dealing with the prevailing value for gas, is proposed to be amended to revise how the prevailing value for gas is determined, including: dealing with a methodology for a prevailing value for gas delivered by pipeline to a market in Canada or the Lower 48; dealing with a methodology for a prevailing value for gas delivered outside the state by an LNG transportation facility; dealing with a methodology for determining prevailing value for gas delivered to a pipeline on the North Slope, for gas delivered to an LNG facility in the state, or for gas delivered to other locations in the state; dealing with the volumetric allocation between residue gas and gas plant products, and among actual or component gas plant products; dealing with a reasonable gas processing, regasification, and gas treatment cost allowance; dealing with a methodology for valuing residue gas, gas plant products, LNG, and regasified LNG in destination markets; providing a method for defining destination markets and market centers; dealing with a methodology for determining market center basket prices; dealing with information the department may publish on its website; and dealing with certain definitions.
- (10) A new section, 15 AAC 55.193, is proposed to be adopted, dealing with the calculation of both actual and reasonable costs of transportation for oil and gas produced after June 30, 2007, including transportation by pipeline, vessel, or LNG transportation facility, and including gas treatment; setting out allowable and non-allowable types of costs for transportation of oil or gas; use of tariff rates approved by a regulatory agency or provided for under a settlement; treatment of the cost of unused capacity in a gas pipeline; determining the value at the point of production for transactions involving the sale and repurchase of oil or gas; determining the third-party nature of a contract; credits and reimbursements of transportation costs; treatment of transportation costs where a producer's oil or gas is transported with another's oil or gas; and producers' submission to the department of information regarding costs of transportation.
- (17) 15 AAC 55.900, dealing with definitions, is proposed to be amended to define terms as necessary for purposes of the proposed regulations and AS 43.55.

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:

John Larsen  
Alaska Department of Revenue, Tax Division  
550 W. 7th Ave., Ste. 500  
Anchorage, AK 99501

Or, via email to: [john.larsen@alaska.gov](mailto:john.larsen@alaska.gov), or by fax to: (907) 269-6644. Written comments must be received no later than 4:30 p.m., Monday, March 15, 2010. Written comments received are public records and are subject to public inspection.

Oral or written comments also may be submitted at a hearing to be held on Wednesday, March 3, 2010 at 550 West 7<sup>th</sup> Avenue, Suite 602, Anchorage, Alaska. The hearing will be held from 1:00 p.m. to 3:00 p.m. and might be extended to accommodate those present before 2:00 p.m. who did not have an opportunity to comment. If you are unable to attend the public hearing, you may participate by teleconference by dialing, 1-800-315-6338, and entering 1003# when prompted.

If you are a person with a disability who needs a special accommodation in order to participate in this process, please contact Dave Flavin at (907) 269-6620 no later than Friday, February 26, 2010 for the public hearing, and, no later than Wednesday, March 10, 2010 for the written comment period, to ensure that any necessary accommodations can be provided.

For a copy of the proposed regulation changes, contact the Tax Division at (907) 269-6620 or go to <http://www.tax.alaska.gov>.

After the public comment period ends, the Department of Revenue will either adopt these or other provisions dealing with the same subject, without further notice, or decide to take no action on them. 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 43.05.080; AS 43.55.110; Sec. 72, ch. 1, SSSLA 2007.

**Statutes Being Implemented, Interpreted, or Made Specific:** AS 43.55.011; AS 43.55.020; AS 43.55.030; AS 43.55.040; AS 43.55.150; AS 43.55.900;

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

DATE: February 15, 2010

  
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Jon Iversen  
Director, Tax Division  
Department of Revenue

ADDITIONAL REGULATIONS NOTICE INFORMATION  
(AS 44.62.190(d))

1. Adopting Agency: Department of Revenue
2. General subject of regulation: Alaska Oil and Gas Production Tax
3. Citation of regulations: 15 AAC 55.140; 15 AAC 55.151; 15 AAC 55.161; 15 AAC 55.171; 15 AAC 55.173; 15 AAC 55.180; 15 AAC 55.181; 15 AAC 55.191; 15 AAC 55.192; 15 AAC 55.193; 15 AAC 55.195; 15 AAC 55.196; 15 AAC 55.197; 15 AAC 55.450; 15 AAC 55.511; 15 AAC 55.800; 15 AAC 55.900.
4. Reason for the proposed action:
  - compliance with federal law
  - compliance with new or changed state statutes
  - compliance with court order
  - development of program standards
5. RDU/component affected: Tax Division, Revenue Operations
6. Cost of implementation to the state agency and available funding (in thousands of dollars):

	Initial Year FY 2010	Subsequent Years
Operating Cost	\$ 0	\$ 0
Capital Cost	\$ 0	\$ 0
Federal receipts	\$ 0	\$ 0
General fund match	\$ 0	\$ 0
General fund	\$ 0	\$ 0
General fund/ program receipts	\$ 0	\$ 0
General fund/ mental health	\$ 0	\$ 0
Other funds (specify)	\$ 0	\$ 0

7. The name of the contact person for the regulations:
  - Name: John Larsen
  - Title: Audit Master
  - Address: 550 W. 7<sup>th</sup> Ave., Ste. 500, Anchorage, AK 99501
  - Telephone: (907) 269-8436
  - FAX: (907) 269-6644
  - E-mail: john.larsen@alaska.gov
8. The origin of the proposed action:
  - staff of state agency
  - federal government
  - general public
  - petition for regulation change
  - other (please list) \_\_\_\_\_

9. DATE: February 15, 2010

Prepared by: /s/John Larsen  
Audit Master, Tax Division  
(907) 269-6620

The Department of Revenue, Tax Division, keeps a list of individuals and organizations interested in its regulations. Those on the list will automatically be sent a copy of all of the Tax Division's Notices of Proposed Regulation Changes. To be added to or removed from the list, send a request to:

Dave Flavin  
Department of Revenue, Tax Division  
550 W. 7<sup>th</sup> Ave., Ste. 500  
Anchorage, AK 99501-3566

giving your name, and either your e-mail address or mailing address, as you prefer for receiving such notices.

You may also add or unsubscribe yourself to the Department of Revenue (DOR) Tax Division Interested Parties List Server, by the following:

1. go to <http://list.state.ak.us/guest/RemoteAvailableLists>
2. click on "D" in the Mailing List Directory
3. Scroll down and click on [DOR-Tax-Division-Regs@list.state.ak.us](mailto:DOR-Tax-Division-Regs@list.state.ak.us)
4. A new window will open up – in the "Your E-mail address" box, type in the e-mail address you wish to receive the DOR Tax notices.
5. Click the button "Immediate Delivery" or "Unsubscribe". Immediate Delivery will add the e-mail address you entered into the list server immediately.
6. Click the "Submit" button.

The e-mail address you entered will immediately receive the DOR Tax Division "Welcome" notice explaining how the list serve works and also advises that you are now a member of the list serve. Please read this "Welcome" advisory – it contains important information regarding the list serve.

You may also unsubscribe, by following steps 1-6 above, except in step 5, please select the button "Unsubscribe". You will immediately receive an e-mail advisory stating that you will no longer receive e-mail notifications regarding the DOR Tax Division.

If you do not receive a welcome notice or unsubscribe notice, please contact Dave Flavin at (907) 269-6620.