

Alaska Oil and Gas Association



121 W. Fireweed Lane, Suite 207
Anchorage, Alaska 99503-2035
Phone: (907) 272-1481 Fax: (907) 279-8114
Email: moriarty@aoga.org

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VIA EMAIL: john.larsen@alaska.gov

Mr. John Larsen, Audit Master
Tax Division, Alaska Department of Revenue
550 West 7th Avenue, Suite 500
Anchorage, AK 99501

Re: Questions re Proposed Regulations (December 23, 2020 Public Notice)

Dear Mr. Larsen:

The Alaska Oil and Gas Association (“AOGA”) appreciates the opportunity to submit questions concerning the Department of Revenue’s (“DOR”) proposed changes to certain regulations in Title 15 pursuant to the public notice dated December 23, 2020. For nearly half a century, AOGA has been the trade association of the petroleum industry in Alaska, and our members actively continue to explore for, develop, produce, transport and refine oil and gas in the state. In keeping with our practice regarding tax matters, all our members have had the opportunity to review and contribute to these questions, and they are being submitted without dissent.

1. 15 AAC 55.151 Gross value of oil or gas at the point of production

The proposed revisions to 15 AAC 55.151(e) and (f) provide that the tax would not apply to oil run through a field topping plant that (1) is used in operations; and (2) is not capable of being returned to the commingled stream (continuing down TAPS and being sold). Currently, all oil run through a North Slope field topping plant is capable of being returned and blended back into the commingled production upstream of the point of production — field topping plants on the North Slope heat and cool the crude stream to remove what is often referred to as Arctic Heating Fuel or Diesel No. 2, so the oil is capable of, and sometimes is, returned upstream to the commingled production stream. Is DOR aware of the fact that all oil run through North Slope topping plants is capable of being returned to the commingled stream, at least based on current operations? If so, is the intent of DOR to tax all oil run through a North Slope topping plant at 120%?

2. **15 AAC 55.171(m) Prevailing value for oil**

Based on review of ARGUS, two prices are available: ANS Delivered and ANS Delivered Concurrent. It is currently unclear as written which of these two prices would be applicable. Is DOR intending to apply a specific price?

3. **15 AAC 55.171(o) Prevailing value for oil**

15 AAC 55.171(o) would define “applicable publicly filed pipeline tariff” as “both the interstate and intrastate tariffs” for the calculation of prevailing value for oil. Although this proposed regulation states the fact that interstate and intrastate tariffs do apply to the transportation of oil produced in Alaska, it does not clearly state that the “applicable” tariff for oil transported in interstate commerce is the interstate tariff, whereas the “applicable” tariff for oil transported in intrastate commerce is the intrastate tariff. Does DOR intend for the applicable tariff to be the intrastate versus interstate tariff depending on whether the oil is destined for intrastate versus interstate commerce?

4. **15 AAC 55.250(c)(5) Direct charges**

The proposed revision to 15 AAC 55.250(c)(5) provides that demobilization does not include transportation “beyond the nearest significant road, rail, or harbor transportation hub.” The term “significant” is ambiguous in this context. What does DOR intend “significant” to mean for purposes of this regulation?

Thank you for your consideration of the above questions. We appreciate the Department’s time and look forward to your response.

Sincerely,

ALASKA OIL AND GAS ASSOCIATION



Brooke Ivy
External Affairs Manager

CC: Colleen Glover, Tax Division Director, Alaska Department of Revenue