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%?

DOR RESPONSE: The proposed changes at 15 AAC 55.151(e) and (f) are intended to clarify the lease use of oil, as provided for in AS 43.55.020(e) for oil run through a crude oil topping plant (COTP). The question appears to ask about both 15 AAC 55.151 and 15 AAC 55.163. The proposed change would add the phrase “capable of being” to the currently existing “not returned” language, so that the regulation, as proposed, would read "not **capable of being** returned and blended back into a production stream upstream of the point of production for oil” in both 15 AAC 55.151(e) and 15 AAC 55.163(a).

Additionally, and as noted in the existing regulation at 15 AAC 55.163(a), the 1.2 multiplier in subsection (b) applies only "to oil run through a field topping plant in the Alaska North Slope area that is ***not returned*** and blended back into a production stream upstream of a point of production for oil." [Emphasis supplied.] The department is aware that there may be minor discrepancies between the amounts of products of the topping plant that may be injected into a reservoir or otherwise used in lease operations and are not returned at 100% of the injected or used volume. The department believes the proposed change to include "not capable of being returned" makes clear that the provisions of 15 AAC 55.163 apply only to that portion of products from the COTP that are not "capable" of being returned versus any immaterial

differences for products of the COTP that are "not returned" into the production stream upstream of a point of production.

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?

DOR RESPONSE: Based on current discussions within the department the DOR is considering the use of the "ANS Delivered" [ANS USWC month 1 (PA0000008)] price as reported by Argus.

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?

DOR RESPONSE: The tax levied in AS 43.55.011(e) is assessed on the producer of the oil. 15 AAC 55.161(a) states “For purposes of this chapter, the sales price for oil or gas is the cash value of the full consideration being given in receipt for oil or gas transferred from a producer in an arm's-length, third party transaction.” The proposed regulation refers to the tariff in effect at the point of sale by the producer of the oil or gas. For example, the "applicable publicly filed pipeline tariff" language is found in 15 AAC 55.171(g) and (h), respectively, for sales occurring at "Trans Alaska Pipeline System ('TAPS') pump station number one or sold at the entrance to a publicly regulated pipeline other than TAPS," [15 AAC 55.171(g)] or "delivered to an inland

refinery in the state" [15 AAC 55.171(h)]. Those are the types of sales to which the "applicable publicly filed pipeline tariff" proposed 15 AAC 55.171(o) would apply.

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?

DOR RESPONSE: The department appreciates the comment and will consider further clarifications in any final regulation that is adopted.