



THE STATE  
of **ALASKA**  
GOVERNOR SEAN PARNELL

Department of Natural Resources  
Joe Balash, Commissioner  
Department of Revenue  
Angela Rodell, Commissioner

May 8, 2014

Representative Les Gara  
733 W. 4<sup>th</sup> Ave, Suite 108  
Anchorage, AK 99501-2133

**SENT VIA E-MAIL**

Honorable Representative Gara,

This letter is in response to your inquiry of May 5<sup>th</sup>, 2014. We have identified five questions from your inquiry. Responses are in italics and follow each question.

- 1) What is the start date in SB 21 for “new oil”?

*As stated in AS 43.55.160(f) the 20% gross value reduction (GVR) is applicable for tax calculation on and after January 1, 2014.*

- 2) Which fields that were producing prior to the passage of SB 21 qualify?

*To qualify for GVR tax treatment under AS 43.55.160(f) a field must fulfill the following requirements: the oil must be produced on a lease or property north of the 68 degrees North latitude and meet one or more of the following criteria:*

*(1) the oil or gas is produced from a lease or property not containing a lease that was within a unit on January 1, 2003*

*(2) the oil or gas is produced from a participating area established after December 31, 2011, that is within a unit formed under AS 38.05.180(p) before January 1, 2003, if the participating area does not contain a reservoir that had previously been in a participating area established before December 31, 2011*

*(3) the oil or gas is produced from acreage that was added to an existing participating area by DNR on and after January 1, 2014, and the producer demonstrates to DOR that the volume of oil or gas produced is from acreage added to an existing participating area.*

*Currently producing fields that fulfill the first requirement are Oooguruk (formed in 2003) and Nikaitchuq (formed in 2004). There are no “currently producing” fields that fulfill either the second or third GVR requirements.*

3) Who the owners are?

*According to the Division of Oil and Gas "North Slope Unit Land Working Interest Ownership" map effective March 2014<sup>i</sup>, the owners of Oooguruk are Pioneer Natural Resource Alaska<sup>ii</sup>, Inc, ENI Petroleum US LLC, XH, LLC, George Alan Joyce, Jr, and Anadarko Petroleum Corp. The owner of Nikaitchuq Unit is ENI Petroleum US LLC.*

4) Current annual production for each field?

*According to the Division of Oil and Gas<sup>iii</sup>, calendar year 2013 working interest owner commercial volumes for Oooguruk unit were: 720,500.56 bbls for ENI, 1,708,511.19 bbls for Pioneer. Nikaitchuq unit produced 4,820,196.08 bbls during the same period.*

5) When they went into production to qualify for the "new oil" tax rate?

*Oooguruk formed in 2003 and began producing oil in commercial volumes in 2008. Nikaitchuq formed in 2004 and began producing oil in commercial volumes in 2011.*

Please let us know if we can be of further assistance.

Sincerely,



Michael Pawlowski  
Deputy Commissioner, Revenue



Bob Swenson  
Deputy Commissioner, Natural Resources

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<sup>i</sup>[http://dog.dnr.alaska.gov/Publications/Documents/NorthSlope/WIO\\_NS\\_Unit\\_Map.pdf](http://dog.dnr.alaska.gov/Publications/Documents/NorthSlope/WIO_NS_Unit_Map.pdf)

<sup>ii</sup> Pioneer Natural Resources closed the sale of its Alaska subsidiary to Caelus Energy Alaska in mid-April, 2014, final assignments and Director Decision are pending.

<sup>iii</sup><http://dog.dnr.alaska.gov/Royalty/RoyaltyMonthlyReports.aspx> or <http://dog.dnr.alaska.gov/Royalty/Accounting.htm#monthlyreport>