

# AIX Energy LLC

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October 20, 2016

Mr. John Larsen, Audit Master  
State of Alaska  
Department of Revenue, Tax Division  
550 W. 7<sup>th</sup> Ave., Ste 500  
Anchorage, AK 99501

Dear Mr. Larson,

AIX Energy LLC ("AIX") is pleased to submit comments to assist in developing clearer regulatory language for determining the economic and estimated life of proved reserves as required by AS 43.56.060. AIX is a 100% working interest owner and operator of the Kenai Loop gas field in Kenai, Alaska. AIX currently has no oil production in the state of Alaska.

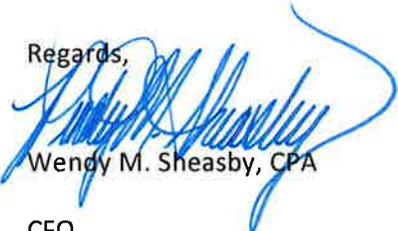
To determine the remaining reserves and field life of relatively small volumetric gas reservoirs, AIX proposes a simple, yet verifiable method that uses widely accepted engineering principals. To determine proved developed reserves (P1), annual transient pressure analysis (i.e. field wide pressure buildup surveys) should be performed to update material balance calculations. Specifically, to derive remaining reserves, P/Z versus cumulative production plots should be generated annually and extrapolated to field specific pressures (P/Z) dictated by sales pipeline operating pressures.

To determine proved undeveloped reserves (P2), the P/Z versus cumulative production plot should be extended to a presumed compressor inlet suction pressure. To simplify administrative burden, the presumed compressor inlet suction pressure can be assumed to be a certain number, say 100 psi, and adjusted higher with proper supporting documentation from the taxpayer.

To determine the life of remaining reserves, AIX proposes using a reserves-to-production ratio (R/P). Remaining life is simply calculated by dividing the remaining reserves (BCF) by a historic single or multi-year average production (BCF/YR). Using a three-year average of historic production would smooth out market driven irregularities and promote relatively stable tax collection.

Thank you for the opportunity to participate taking AIX's comment into consideration.

Regards,



Wendy M. Sheasby, CPA

CFO