**Private Letter Ruling**

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| **Ruling Number:** | **P-2003-023** |

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| **Tax Type:** | **Kansas Retailers' Sales Tax** |
| **Brief Description:** | **Sales taxation of services done at a well site.** |
| **Keywords:** |  |
| **Approval Date:** | **04/21/2003** |

**Body:**

Office of Policy & Research  
  
  
April 21, 2003

XXXX  
XXXX  
XXXX

RE: Your letter dated February 14, 2003

Dear XXXX:  
  
Thank you for your recent letter. In it you ask to receive copies of the department's publications on sales taxation of the services done at a well site. I have enclosed a copy of Revenue Ruling 19-2002-2 and a copy of a Question and Answer that the department prepared at the same time that the Revenue Ruling was issued.  
  
You operate a hot oiler. A hot oiler is a truck or skid-mounted unit used to heat oil or treatment fluid. Hot oilers are routinely used in the removal of wax deposits from the upper well bore section of wells in cold climates where low wellhead temperatures increases the susceptibility of heavy crude oil to wax precipitation. You use the unit to remove paraffin from the well bore and from feeder lines. Down hole maintenance services performed by a hot oiler are subject to sales tax. Hot oil services performed to feeder lines and gather and pipelines are also subject to sales tax. This is explained in Questions 35 and 36 of the Q & A:

35. Q. Is the service of cleaning tanks, tubing, flow lines, and other processing equipment by use of portable steam units or other kinds of cleaning equipment subject to sales tax?

A. These appear to be maintenance services performed on processing equipment located at a well site. Maintenance services are exempt from sales tax when done to processing equipment. Services to feeder lines, gathering systems, and pipelines are taxable. Services to lines from the well head to the processing equipment are taxable, as are services to lines from the processing equipment to a gathering systems or similar system.

36. Q. Is the service of pumping scraper pigs and rubber balls through lines to clean out scale deposits subject to sales tax?

A. As has been discussed, maintenance of processing equipment located at a well site is exempt from tax. When these services are done to maintain lines that connect pieces of processing equipment to each other, the services are exempt. If the scraper pigs and rubber balls are pumped through feeder lines or other lines that deliver gas or oil from the well site, this is a taxable maintenance service. Feeder lines, gather systems, and pipelines are not part of the processing equipment and services to them are taxable. Similarly, the lines from the well head to the processing equipment and from the processing equipment to a gathering system or similar system are not part of the processing equipment and services to them are taxable.

I hope my letter and the enclosed documents answer all of your questions. If you have any more, please call me at 785-296-3081 and we will discuss them. This is private letter ruling. It is based solely on the facts provided in your request. If it is determined that undisclosed facts were material or necessary to make an accurate determination by the department, this ruling is null and void. This private letter ruling will be revoked in the future by operation of law without further department action if there is a change in the statutes, administrative regulations, or case law, or a published revenue ruling, that materially affects this ruling.

Sincerely,  
  
  
  
Thomas E. Hatten  
Attorney/Policy & Research

Enclosures  
  
  
**Date Composed: 04/22/2003 Date Modified: 04/22/2003**