SCHEDULE I (Form 1118)

(Rev. January 2006)

Reduction of Oil and Gas Extraction Taxes

▶ Attach to Form 1118

Department of the Treasury Internal Revenue Service Name of corporation

For calendar year 20 , or other tax year beginning

, 20 , and ending

nding , 20 Employer identification number

OMB No. 1545-0122

Report all amounts in U.S. dollars. Complete a separate Schedule I for each applicable category of income. Foreign Oil and Gas Extraction Income and Taxes Part I Gross Oil and Gas Extraction Income From Sources Outside the United States and its Possessions (See instructions.) 1. Name of foreign country 2. Gross income from 3. Gross income from sale 5. Constructive (Use a separate line for 4. Certain dividends from 7. Total (add columns 2 or exchange of assets used distributions under extraction of minerals from 6. Other each country.) foreign corporations through 6) oil or gas wells in extraction section 951(a) Α В С D Ε F Totals (add lines A through F) . Oil and Gas Extraction Taxes (attach schedule) **Deductions** 11. Taxable income (column 7 minus 8. Definitely allocable 9. Ratable part of deductions 10. Total (add columns 8 14. Total (add columns 12 13. Deemed paid 12. Paid or accrued column 10) deductions not definitely allocable and 9) and 13) Α В С D Ε F Totals

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Part II Reduction Under Section 907(a) 1 Foreign oil and gas extraction income. (See Line 1 in the instructions below.) 2 Multiply line 1 by the highest rate of tax under section 11(b). (See Line 2 below.) 3 Total taxes (from Part I, column 14, "Totals" line) 4 Carryover or carryback of disallowed credits. (See section 907(f)—attach schedule.) 5 Total taxes before reduction (add line 3 and line 4) 6 Reduction (subtract line 2 from line 5; if zero or less, enter -0-). Enter here and on Schedule G, line B of the corresponding Form 1118

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Who Must File

If the corporation claims a credit for any income taxes paid, accrued, or deemed paid during the tax year on foreign oil and gas extraction income, the amount of such taxes eligible for credit may be reduced. See section 907(a) and Regulations section 1.907(a)-1 for details.

Complete Schedule I for each applicable category of income.

Method of Reporting

Report all amounts in U.S. dollars. If it is necessary to convert from foreign currency, attach a statement explaining how the rate was determined.

Specific Instructions

Note. A net extraction loss from a foreign country offsets extraction income from other foreign countries.

Part I

See section 907(c) and underlying regulations for rules on the income to include in Part I.

Note. Do not include any dividend or interest income that is passive income. See the instructions for Form 1118 for the definition of passive income.

Column 2. Enter gross income from sources outside the United States and its possessions from extraction (by the corporation or any other person) of minerals from oil or gas wells located outside the United States and its possessions.

Column 3. Enter gross income from sources outside the United States and its possessions from the sale or exchange of assets used in the trade or business of extracting minerals from oil or gas wells located outside the United States and its possessions.

Column 4. Enter dividends (including section 78 gross-up) from a foreign corporation in respect of which taxes are deemed paid under section 902 only if the dividends are paid out of foreign oil and gas extraction income of the distributing corporation and are not passive income. Dividends from foreign corporations in respect of which the corporation is not entitled to compute a deemed paid credit are passive income and are not included in Part I.

Column 5. Enter amounts taxable under section 951(a) (including section 78 gross-up) to the extent attributable to the controlled foreign corporation's foreign oil and gas extraction income.

Column 6. Include the corporation's distributive share of partnership foreign oil and gas extraction income.

Do not include in column 6 interest income paid by a foreign subsidiary, even if the interest is paid out of foreign oil and gas extraction income of the payor and is not passive income. See section 907(c)(3).

Columns 12 and 13. Attach a schedule to show how the foreign taxes paid, accrued, or deemed paid with respect to foreign oil and gas extraction income were figured.

Part II

Line 1. Enter the total from Part I, column 11, minus any recapture of foreign oil and gas extraction losses by recharacterizing later extraction income, as described in section 907(c)(4).

Line 2. At the time this schedule went to print, the highest rate of tax specified under section 11(b) was 35%.