

RAILROAD COMMISSION OF TEXAS
Oil and Gas Division

NOTICE TO GAS OPERATORS

New Filing Deadlines
NGPA Section 107 High Cost Gas Determination Applications
For IRS Section 29 Tax Credits

In September 2000, the Federal Energy Regulatory Commission (FERC) reinstated provisions for well category determinations for certain categories of high-cost gas under the Natural Gas Policy Act (NGPA) section 107. An NGPA determination enables such gas to be eligible for a tax credit under Section 29 of the Internal Revenue Code (Section 29 tax credit). The Section 29 tax credit will terminate by operation of federal law on December 31, 2002.

To apply for this determination, Texas producers are required to file an application with the Railroad Commission. The Railroad Commission is required to review all applications and forward eligibility recommendations to FERC no later than June 30, 2003.

The Railroad Commission is requiring Texas gas producers filing NGPA Section 107 High-Cost gas determination applications to abide by the following filing deadlines:

December 31, 2002: Last date for filing **Area Designation Applications** with the Railroad Commission

April 1, 2003: Last date for filing **Individual Well Certifications** with the Railroad Commission for the purpose of qualifying for the IRS Section 29 Federal Income Tax Credit.

These two filing deadline dates have been established by the Railroad Commission to provide commission staff sufficient time to process applications and timely transmit recommendations to FERC by their required due date. The FERC will review all applications and the Railroad Commission's eligibility recommendations and will render the final determinations.

If you have any questions regarding NGPA Section 107 High Cost Gas Application process you may contact the Oil and Gas Division's Engineering Section at (512) 463-7307.

Austin, Texas

October 2002

PLEASE FORWARD TO THE APPROPRIATE SECTION OF YOUR COMPANY