



TEXAS REQUEST FOR APPROVAL OF HIGH COST GAS EXEMPTION OR REDUCED TAX RATE

You have certain rights under Ch. 559, Government Code, to review, request, and correct information we have on file about you. Contact us at the address or toll-free number listed on this form.

T Code ■ 00990 ■ 1126

• **Do not write in shaded areas.**

• **See instructions on back of form.**

Taxpayer name, contact person and mailing address

Complete this form and mail to:
Comptroller of Public Accounts
 111 E. 17th Street
 Austin, TX 78774-0100

A LETTER OF CERTIFICATION FROM THE TEXAS RAILROAD COMMISSION MUST ACCOMPANY EACH REQUEST FOR EXEMPTION OR REDUCED TAX RATE.

Texas taxpayer number ■		Lease and/or well name				
Type	County code	Lease no.	Self-check digit	County of production	Date (year and month) well is spudded	RRC approval date
Railroad Commission field in which well is located			Depth of well	Effective date (year/month) well is completed	Date (year/month) of first production	

DRILLING AND COMPLETION COSTS FOR HIGH-COST GAS WELLS			
REPORT WHOLE DOLLARS			
DRILLING COSTS		COMPLETION COSTS	
Pre-drilling costs	_____	Services	_____
Drilling costs	_____	Stimulation	_____
Casing & cementing	_____	Production equipment	_____
Support costs	_____	Support costs	_____
TOTAL DRILLING COSTS	_____	TOTAL COMPLETION COSTS	_____
TOTAL DRILLING AND COMPLETION COSTS _____			

NOTE: This completed form must be submitted to the Comptroller with each individual well application for a severance tax exemption or reduced tax rate.

I declare that the information in this document is true and correct to the best of my knowledge and belief.	
Name and title of authorized individual (Please type or print)	Daytime phone (Area code and number)
sign here ▶	Date

NOTE: YOU ARE REQUIRED TO REPORT THE PRODUCTION IN ACCORDANCE WITH THE INSTRUCTIONS ON THE REPORTS.

FOR COMPTROLLER'S USE ONLY		
COMPTROLLER'S APPROVAL: The production from this well is approved for exemption from severance tax or a reduced tax rate (refer to type) beginning with the production month of _____, _____ and ending _____, 20____.		
sign here ▶ Approved by	Phone	Date

INSTRUCTIONS FOR COMPLETING AND FOR REPORTING DRILLING AND COMPLETION COSTS FOR HIGH-COST GAS WELLS (AS REQUIRED BY SECTION 201.057 (f) OF THE TEXAS TAX CODE)

GENERAL INSTRUCTIONS

HIGH COST GAS EXEMPTION OR REDUCED TAX RATE - Any producer seeking exemption from the severance tax or a reduced tax rate for gas on gas wells that are certified as High-Cost Gas wells by the Texas Railroad Commission must complete this application. A letter of certification from the Texas Railroad Commission must accompany each application. Applications for wells that are spudded or completed September 1, 1995 forward must include the drilling and completion costs.

THE FOLLOWING WELL TYPES APPLY TO THIS REQUEST:

- Type:**
- 5 High Cost Gas Reduced Tax Rate - wells spudded or completed 9-1-96 and later (*Taxes must be paid at the full rate until 9-1-97.*)
NOTE: If the approval is for a reduced tax rate, the ending date is the earliest of 120 months from the date of first production or when the cumulative value of the tax savings equal 50% of the drilling and completion cost.
 - 6 High Cost Gas Exemption - wells spudded or completed prior to 9-1-96 (*totally exempt*)

NOTE: To recover taxes paid for periods prior to the Comptroller's signature date, amendments must be received within one year from the Comptroller's approval date.

DRILLING COSTS TO BE INCLUDED BY CATEGORY

PREDRILLING - Damage payments to surface owner and any petroleum engineering or geoscience costs associated with the well location are not to be included. All costs related to surveying, permitting, constructing roads to well sites, including fences and gates, costs to build pad, cellar, concrete pad, rat and mouse holes, conductor hole & pipe, drilling pit and liner, and the cost of any water well. Costs of any environmental surveys performed including any monitoring wells drilled at or near the wellsite and the preparation of environmental impact study that may be required and any necessary remediation.

DRILLING - Day rates or footage costs including general costs associated with normal rig operations. Include rig mobilization, rig positioning and rig demobilization charges where applicable. All costs for fuel and power, mud and chemical materials used to drill and condition the hole and/or restore and maintain circulation and chemical materials such as weighting materials, lost circulation materials, crude oil, diesel oil, or mineral oil used in the circulating system. Also, if applicable, include the cost for air or gas compression if used for drilling. Cost of drill bits used to drill the well from conductor to total depth including the cost of any diamond drilling bits that are used. Labor, material transportation, services, standby time, tool rentals for setting whipstocks, milling casing windows, setting casing whipstocks, cement plugs for directional drilling, any special bottomhole assemblies, or equipment such as Dynadrills, Turbodrills, measurement while drilling assemblies and costs, jet deflecting stabilizers, reamers, hole openers, and any other items that affect or influence the directional tendencies of a wellbore. Labor, material, and services for mud logging and any drill stem testing during drilling operations. Include test analysis costs where applicable. Openhole logging costs including wireline formation tests and inclination and directional survey costs. Costs required to cut and recover cores, including sidewall cores and core analysis. Costs of rental tools and equipment including BOP's, drill pipe, drill, collars, and bottomhole assemblies, mud motors, shale shakers, degassers, desanders, desilters and centrifuges.

CASING & CEMENTING - Cost of casing, float shoes, float collars, and centralizers used in any portion of the casing program including any liners and liner hangers. Cost of cement, additives and pumping charges for the cement and costs for all plugs.

SUPPORT COSTS - Costs associated with hauling water, casing or rental equipment to the well site. Costs for special equipment testing. Costs for roustabout crews. Costs of direct supervision of drilling operations.

COMPLETION COSTS TO BE INCLUDED BY CATEGORY

SERVICES - Rig used in completion operations. If the drilling rig is used for the completion operations, the costs must be separated. All wireline operations performed in the cased hole, including logging, perforating, and setting tools on wireline. Costs of any fluids used in the wellbore (except fluids used during stimulation) during well operations from the time production casing is cemented until the well is turned to sales. Costs related to testing pay intervals that cannot be attributed to any other category. Costs for site restoration and for any remediation associated with the completion operations.

WELL STIMULATION - All costs associated with stimulating the pay interval. This includes acidizing and hydraulic fracturing charges as well as equipment costs that are specifically related to stimulation operations such as frac tanks. It includes the cost of coil tubing units and operations if used.

PRODUCTION EQUIPMENT - The production tubing string, packers, bridgeplugs, tubing anchors and gravel packing. Any equipment installed on the wellhead including the wellhead itself. All equipment costs associated with gas lift or rod pumping equipment, including both down hole and surface equipment. Also included in this category is plunger lift and cavity displacement pumps and associated equipment. All equipment from the wing valve to the sales meter that is required to produce the well. This includes production, storage, and separation equipment, meters, flowlines, chemical pumps and any location costs such as gates, roads, and fences associated with the lease equipment. DRILLING AND COMPLETION COSTS does not include any costs incurred after the outlet of a lease separator or that would otherwise be considered a marketing cost for severance tax purposes (see Rule 3.15).

SUPPORT COSTS - Costs to transport materials and equipment to the well site that are not specifically chargeable to other more specific operations. This category includes hauling casing or tubing to location, but would not include the cost to haul water for a fracture stimulation. Rental equipment used to complete the well. Costs of roustabout crews used during after drilling operations have ceased. Costs of direct supervision of completion operations.