

# Natural Gas Tax Guide

June 2004

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# TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

P.O. BOX 13528  
AUSTIN, TEXAS 78711-3528

CAROLE KEETON STRAYHORN  
Texas Comptroller

Dear Fellow Taxpayer:

My vision for Texas is paychecks and jobs for Texans—limited government and unlimited opportunity. What we all need from government is less, not more: less mandates, less regulations, less taxation, and less government spending. In order to keep taxes low for all Texans—I go after tax cheats.

As Texas Comptroller, it is my job to collect every penny of taxes honestly due the State. My office is dedicated to helping you better understand Texas' tax laws with publications such as these. This guide contains a great deal of information on natural gas tax reports. These taxes are an essential part of our state tax structure.

If you have questions, please call my office at 1-800-252-1384 or in Austin at 512/463-4600. From a Telecommunications Device for the Deaf (TDD) only, call 1-800-248-4099 or in Austin 512/463-4621. My staff of trained tax professionals will answer your questions honestly, fairly, and quickly.

As a taxpayer, I share your concerns about how state government spends your hard-earned money. That's why I have pledged to make sure that you are receiving full value for each and every dollar you send to Austin. I guarantee that you will find the Comptroller's office is a lean and efficient operation.

Sincerely,

Carole Keeton Strayhorn  
Texas Comptroller

# INTRODUCTION

## Tax Returns

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The Comptroller's office mails monthly and annual tax returns to all established accounts prior to the due date. These forms are partially preprinted by the Comptroller's office.

The same tax forms are used by producers and purchasers. The reports are identified by the appropriate T-Code located in block "a" and block "j". Taxpayers who are a producer and a purchaser must file both reports. For any leases where a purchaser is purchasing their own gas, then the lease data must be reported on the producer report only.

### Monthly Taxpayers

The monthly preprinted tax return is generated from the data reported on the previous four tax returns. The following situations occur on preprinted lease information:

- If no data is reported on a preprinted lease during the previous four consecutive months, then the preprinted lease information printed on blocks 1 through 8 will be dropped from future monthly report forms.
- A new lease will be added to the preprinted monthly report form once it has been reported correctly and processed for four consecutive months.
- To avoid preprinted lease information in Blocks 1 through 8 from dropping off the report, taxpayers must file zero figures in Blocks 10 through 16.
- Lease(s) automatically drop from a preprinted report when the secondary taxpayer number(s) reported previously become(s) inactive. This occurs when a secondary taxpayer finalizes their natural gas tax account.

### Annual Producer Taxpayers

The annual producer preprinted report will be generated as a result of the data reported on the previous annual report. Also, data reported by corresponding purchaser will cause lease information to preprint on the producer report.

- **All Producers having an average monthly tax liability of less than \$200 may file the producer's annual report.** If an annual producer has a tax liability of \$2,400 or more during the year, the producer's filing status will be changed to a monthly filer.

**NOTE:** All purchasers are also required to file monthly reports.

- **Annual Producers going out of business during the year must file an annual report with payment on or before the 20th of the second month following the month in which the producer ceases production.** The final report must reflect all taxable and non-taxable production thus far during the year.

## Reports Must Be Filed

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A monthly or annual report must be filed on all active gas tax accounts, even if no taxable production or purchases occurred. If a producer or purchaser does not have any activity during a reporting period, then a report form must be filed indicating "NOTHING TO REPORT" on the report form. This will keep the Comptroller's office from issuing a delinquent notice for failing to file a report.

It is the responsibility of the taxpayer to contact the Comptroller's office concerning a change in reporting status. For example: name change, number change, merger, or inactive status.

Whenever a producer or purchaser files a final report on the natural gas tax account, then the Comptroller's office must be notified by letter indicating:

- effective date
- new owner(s), in the event of a sale or transfer of property
- address of new owner(s)

Purchasers will be required to discontinue purchasing from producers who are delinquent in filing monthly or annual gas tax reports.

## Filing Options for Natural Gas Taxpayers

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The Comptroller's office offers natural gas taxpayers three options for filing reports:

1. on **paper – preprinted or pre-approved report forms**
2. by **electronic tax filing** – Monthly and amended reports can be filed electronically by modem using the Texas Comptroller's *Electronic Tax Filing Data Entry Program* (called "PETRO"). All of the reporting data can be

entered using a personal computer with this program. It calculates the tax due and formats the return in an electronic data interchange (EDI) format. The return is then sent to the Comptroller's office via modem.

**For More Information:** Publication #96-331, *Natural Gas and Crude Oil Electronic Tax Filing System*, provides detailed information on electronic tax filing.

Pursuant to legislation enacted in 2001, under Senate Bill 640, taxpayers paying the state of Texas more than \$100,000 during a year for certain taxes are required by law to transmit electronically the tax report data to the Comptroller's office.

Businesses can request a waiver from the electronic reporting requirement by contacting the Electronic Reporting Section at 1-800-531-5441, extension 3-3630.

Preprinted report forms will not be generated to taxpayers who are required to transmit data electronically. A five-percent (5%) penalty may be assessed on the "TAX DUE AMOUNT" if a taxpayer does not comply with the electronic reporting requirement.

Natural gas taxpayers can use the Electronic Reporting program using the EDI software to meet this reporting requirement. For more information on the electronic reporting programs access the Comptroller's office website at: [www.window.state.tx.us](http://www.window.state.tx.us).

The advantages of electronic reporting include:

- Free software,
- Ability to import data,
- Internet links to upload and/or download data, and
- Available 24 hours a day.

**3. on approved paper report forms designed by taxpayer** – The monthly and amended report forms can be designed by the taxpayer if they are similar to Comptroller's report forms.

**These forms must be approved by the Comptroller's office prior to use.** To secure approval, a request letter along with a copy of the report form designed by the taxpayer must be sent to the Account Maintenance Division.

## Guidelines For Approved Paper Report Forms Designed By Taxpayer

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1. The taxpayer must first submit a sample of the report form of their own design to the Account Maintenance Division.
2. The Account Maintenance Division will notify the taxpayer of any needed changes by letter. Once the changes are made, the Account Maintenance Division will approve or deny the report form and notify the taxpayer again by letter.
3. Whenever future revisions on the monthly and amended report forms occur, the taxpayer must make the revisions to their report forms accordingly. It will be the taxpayer's responsibility to revise the monthly and amended report forms. The taxpayer must resubmit the revised monthly and amended report forms for new approval to the Account Maintenance Division.

**The Comptroller's office will not accept natural gas tax reports filed on any disks (i.e. CD).**

## Due Dates of Natural Gas Reports and Payments

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- **Producer and Purchaser Monthly Filers:** Due on the 20th day of the second month following the month of production. The exception to this rule is the odd year estimated prepayment for the reporting periods prior to and including June and July 2001 for each odd-numbered calendar year.
- **Producer Annual Filers:** Due on February 20th of the following year. Annual filers are not subject to the odd-year estimated prepayment.
- If the due date falls on a Saturday, Sunday, or a legal holiday, the report and tax payment is due the next business day. Legal holidays are defined by the Texas Legislature. Holidays may change from one year to the next or due to legislative changes.
- **The statute of limitation for filing natural gas tax reports is four years prior to, or on, the due date of a production period.**

## Natural Gas Tax Payment by Electronic Fund Transfer (EFT)

Effective January 1, 2002, Senate Bill 640 requires natural gas taxpayers paying over \$100,000 in a fiscal year to use the Comptroller’s office Electronic Funds Transfer (EFT) process to transmit their payments. Natural gas taxpayers using the EFT process must comply with the payment deadlines. (See chart below.) A five-percent (5%) penalty may be assessed on the “NET AMOUNT” of each “NON-EFT” payment. For more information on this payment requirement and the Electronic Fund Transfer process, access the Comptroller’s office website at: [www.window.state.tx.us](http://www.window.state.tx.us).

Businesses can request a waiver from the electronic reporting requirement by contacting the Electronic Reporting Section at 1-800-531-5441, extension 3-3630.

Payments sent by electronic fund transfer must be wired separately for each different taxpayer account number.

## General Information on Reporting

- All gas volumes should be reported in M.C.F. (1,000 cubic feet) at a pressure base of 14.4 pounds plus four ounces (14.65 pounds absolute), as indicated in section 91.052 of the Natural Resources Code.
- All condensate volumes should be reported in barrels, rounded to the nearest whole barrel (42 standard gallons).

## All gas produced is taxable except the following:

1. Gas injected into the earth in this state, unless sold for such purpose.
2. Gas produced from oil wells with oil and lawfully vented or flared.
3. Gas used for lifting oil, unless sold for such purpose. (Gas used in motors to pump oil is taxable, as is gas used in prime movers for gas lift operations.)

**NOTE:** Gas produced and disposed of in a nontaxable manner, as outlined in 1, 2 or 3 above, must not be reported.

4. Legislative tax exemptions on approved oil and gas wells. For more information on legislative tax exemptions, see detailed information on pages 44-68.
5. Governmental exemptions. See Rule 3.14 for Natural Gas Production Tax on the following page.

## To determine the taxable value of gas, the following general rules apply:

1. If the gas is sold for cash at or near the well-head, the taxable value is the producer’s gross receipts. Reimbursement for severance tax should not be included.
2. If the consideration for the sale of the gas includes a portion or all of the products and/or residue of the gas, then the gross value of the gas shall be all things of value received.

Natural Gas Tax EFT Due Date Payment Schedules												
The following is the <b>2002</b> schedule of due dates for electronic funds transfers:												
	<b>JAN</b>	<b>FEB</b>	<b>MAR</b>	<b>APR</b>	<b>MAY</b>	<b>JUN</b>	<b>JUL</b>	<b>AUG</b>	<b>SEPT</b>	<b>OCT</b>	<b>NOV</b>	<b>DEC</b>
Payment is Due:	22	20	20	22	20	20	22	20	20	21	20	20
Call to TNS Due:	18	19	19	19	17	19	19	19	19	18	19	19
The following is the <b>2003</b> schedule of due dates for electronic funds transfers:												
	<b>JAN</b>	<b>FEB</b>	<b>MAR</b>	<b>APR</b>	<b>MAY</b>	<b>JUN</b>	<b>JUL</b>	<b>AUG</b>	<b>SEPT</b>	<b>OCT</b>	<b>NOV</b>	<b>DEC</b>
Payment is Due:	21	20	20	21	20	20	21	20	22	20	20	22
Call to TNS Due:	17	19	19	18	19	19	18	19	19	17	19	19
The following is the <b>2004</b> schedule of due dates for electronic funds transfers:												
	<b>JAN</b>	<b>FEB</b>	<b>MAR</b>	<b>APR</b>	<b>MAY</b>	<b>JUN</b>	<b>JUL</b>	<b>AUG</b>	<b>SEPT</b>	<b>OCT</b>	<b>NOV</b>	<b>DEC</b>
Payment is Due:	20	20	22	20	20	21	20	20	20	20	22	20
Call to TNS Due:	18	19	19	19	18	18	19	19	17	19	19	17



3. Marketing costs incurred by the producer after normal lease separation may be deducted from the gross receipts to determine the net taxable value. Costs incurred in producing the gas are not deductible.
4. Raw gas used on the lease shall have the same taxable value as gas sold. Available residue gas returned and used on the lease shall have the same value the producer would have received had it been sold.

The following conditions may apply:

- If gas is being produced and used on a lease from which there are no gas sales, use the prevailing market value of comparable gas in the same general area.
- If no comparable gas, use the county average published by the Comptroller's office. See pages 121-142.

## NATURAL GAS PRODUCTION TAX

**Rule 3.14. Exemption of Certain Interest Owners from Gas Occupation Taxes  
(Texas Tax Code Sec.201.051, Sec. 201.205).**

- (a) Mineral and/or royalty interests owned by the federal government and its subdivisions and the State of Texas and its subdivisions are not subject to the gas production tax.
  - (1) Subdivisions of the federal government include, but not limited to, the following:
    - (A) The Federal Land Bank;
    - (B) The Department of the Interior
    - (C) The Bureau of Land Management; and
    - (D) The Army Corps of Engineers.
  - (2) Subdivisions of the State of Texas include, but are not limited to, the following:
    - (A) Texas cities, towns, and villages;
    - (B) Texas counties;
    - (C) Texas independent and common school districts; and
    - (D) Texas public colleges and universities.
- (b) The tax on production from properties with an ownership interest exempt from tax, such as state royalty, shall be due from the non-exempt interest owners in the same proportion that the non-exempt owners share the net proceeds (wellhead value) from the sale of the production.
- (c) For example, 10,000 MMBTU (million British thermal units) are sold for \$2.00 per MMBTU or \$20,000 gross proceeds. There is a 1/8 th state royalty interest (exempt from tax) paid on gross proceeds, and the working interest (not exempt from tax) has incurred \$5,000 transportation and processing fees.

Gross sales value	\$20,000.00
Transportation & Processing	<u>(5,000.00)</u>
	\$15,000.00
	(2,500.00)
	\$12,500.00
Tax rate (7.5%)	<u>x .075</u>
Tax due	\$ 937.50

Effective Date: April 18, 1983  
 Filed with Secretary of State: March 28, 1983

CAROLE KEETON STRAYHORN  
 Comptroller of Public Accounts



## General Instructions on Natural Gas Reports

The natural gas reports require information by lease. The lease name shown on the reports should correspond to the lease name reflected on the Railroad Commission Proration Schedule.

The lease identification number reported to the Comptroller's office is made up of three different fields indicated below:

**1. TYPE** – This digit is identified by one of the following prefixes:

- 1 (one) indicates the lease is classified as an oil reservoir.
- 2 (two) indicates the lease is classified as a gas reservoir.
- 3(three) indicates the lease is approved for a two-year inactive well exemption.
- 4 (four) indicates the lease is approved for a flared/release exemption.
- 5 (five) indicates the lease is approved for a high cost gas exemption with a reduced tax rate. (The lease is spudded or recompleted after September 1, 1996.)
- 6 (six) indicates the lease is approved for a 100% high cost gas exemption. (The lease is spudded or recompleted September 1, 1991 through August 31, 1996.)
- 7 (seven) indicates the lease is approved for a three-year inactive well exemption.
- 8 (eight) indicates the lease is approved for a co-production project exemption.
- 9 (nine) indicates the lease is approved for a incremental production exemption.

**2. COUNTY CODE** – This three-digit number is the county location code listed on pages 118 and 119. If the lease overlaps a county line, the county where the purchase meter is located should be indicated.

**3. LEASE NUMBER / SELF-CHECK DIGIT** – The Railroad Commission assigns lease identification numbers to all wells. The lease identification number is a six-digit group consisting of one of the following:

- The five-digit lease identification number assigned to an oil lease, plus a preceding zero.
- The six-digit gas well completion number.
- The two-digit district code and four-digit identification number assigned to a plant or drip station. (See page 7)

The last number in Comptroller's office lease identification number is a check digit calculated mathematically to verify the first ten digits. For the formulas see pages 144 and 145.

New or acquired properties must be written on the report with the information necessary to assign the lease identification number by the Comptroller's office. The new lease data reported enables the Comptroller's office to establish new identification lease numbers and generate preprinted reports.

## Explanations and Examples of "On Lease" and "Off Lease"

An off Lease sale is gas sold off the lease from where it is produced.

Producers will use designated purchaser numbers when reporting off lease deliveries of gas to the first purchaser. Producers will continue to report the actual first purchaser whenever delivery is made to the purchaser, or the purchaser's carrier, on the lease.

The designated purchaser numbers are as follows:

- **4444444444** An off lease delivery in Texas
- **5555555555** An off lease delivery out of Texas
- **6666666666** An off lease delivery of some gas in Texas and some gas out of Texas.

### Examples of On Lease Deliveries:

- Producers must report the actual purchaser when gas is taken by the purchaser on the lease.
- The purchaser is a gas processing plant and the plant's gathering system extends to the leases in the area.
- The purchaser is a gas pipeline and the pipeline connection is near the separator on the lease.

## INTRODUCTION

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- The purchaser is a spot market purchaser. The contract between the producer and the spot market purchaser calls for the gas delivery to be made through the existing pipeline connection on the lease.
- The producer contracts with a gas processing plant to process the produced gas for liquids (after lease separation). The plant pays the producer for the gas products in accordance with the processing agreement and the plant's gathering system extends to the leases in the area served.
- The purchaser is an end user located out of Texas but has arranged for transportation. The contract between the producer and the purchaser calls for delivery of the gas to be made through the existing pipeline connection on the producer's lease.

### **Examples of Off Lease Delivery:**

- The plant processes the gas and delivers the residue to the producer's designated purchaser at the tailgate of the plant. The purchaser is not the plant operator, therefore, the residue sale is off the lease.
- The purchaser is a local distribution company (LDC) located out of state. The contract between the LDC and the producer requires the producer to deliver the gas into the pipeline facilities of Company A located in Bee County, Texas. These facilities are not on the producer's lease, so the producer contracts with another pipeline to carry the gas from the producer's lease to the Bee County interconnect facility.
- The purchaser is a local distribution company (LDC) located out of state. The contract between the LDC and the producer requires the producer to deliver the gas directly to the city gate of the out of state LDC.
- The producer has two adjoining gas leases, lease A and lease B. There is a dehydrator on lease B and a pipeline connection near the dehydrator. The producer runs the production from both leases through the dehydrator and sells the gas to the purchaser owning the connection on lease B.

## Special and/or Unusual Situations

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### **Summary Items**

Depending on the situation, the Comptroller's office will consider granting a taxpayer permission to report minor adjustments covering several reporting periods in lieu of completing an amended report for each period involved. A taxpayer must first contact the Tax Policy Division at the Comptroller's office for permission.

### **Example of An Unusual Situation:**

- A purchaser has made a contract settlement payment to the producer for an extended period of time. The additional value cannot be allocated back to each well and production. The following is required by the Tax Policy Division:
  1. a summary schedule that includes the adjustments by production period
  2. lease type, county, and identification number(s), and
  3. a cover letter explaining the situation

### **Taking the Gas In-Kind**

Taking the gas in-kind is identified by an election by a non-operator to receive production in lieu of proceeds from the sale of production. This is a situation where the taking by an owner of his/her share of gas or liquids for separate marketing or disposition, rather than permitting his/her share to be disposed of jointly with gas or products belonging to other owners.

## Drip Gas, Compressor, and Dehydrator Liquids

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Drip gas, compressor and dehydrator liquids are taxable if the producer of the gas from which the liquids were separated receives a value for the liquids, or if the liquids are returned to the producer.

If the liquids are recovered by a purchaser, and the producer does not receive any value for the liquids, they are not taxable.

### **Examples:**

1. Producer "A" operates a gas lease. The gas from the lease runs through a dehydrator belonging to the producer. Some liquids fall out of the gas and are run into the lease condensate storage tank. These liquids are taxable and should be reported as lease condensate, commodity CN-4, by both the producer and the purchaser.
2. Producer "A" operates two adjoining gas leases. The gas from both leases runs through a dehydrator belonging to the producer. Some liquids fall out of the gas at the dehydration facility and are stored in a stock tank at the plant site, where they are occasionally sold to an area purchaser. These liquids are taxable and should be reported as condensate, commodity CN-4, by both producer and purchaser using the following:

**LEASE NAME:** Name of the plant reported on the Texas Railroad Commission form R-3 (plant report).

**LEASE NUMBER:** 2-CCC-DDPPPP-S where:

**CCC** = Comptroller's office county code for location of the facility

**DD** = RRC District:

**01** = RRC District 1

**02** = RRC District 2

**03** = RRC District 3

**04** = RRC District 4

**05** = RRC District 5

**06** = RRC District 6 and 6E

**07** = RRC District 7B and 7C

**08** = RRC District 8 and 8A

**09** = RRC District 9

**10** = RRC District 10

**PPPP** = Plant number assigned to the facility and reported on form R-3.

**S** = Self-check digit.

3. Company "A" operates a gas gathering and treating facility. Company "A" contracts with several gas producers in the area to perform gas gathering and treating services. Company "A" does not purchase the gas.

Company "A" recovers and sells compressor and/or dehydrator liquids and, in accordance with the terms of the service contract with the producer, disburses the revenue to the producers. The liquids **are taxable**.

The purchaser should withhold and send to the Comptroller's office the tax on these liquids using county code 255 (statewide). County code 255 is used only when the liquids are unidentified as to the producers. The purchaser will also be shown as the producer for county code 255. The lease name and number will be derived from the plant name and number as in example 2.

4. Purchaser "C" has a gas conditioning facility on their gas transmission line. Some gas liquids are recovered at this facility and are sold as condensate. All of the gas going through the treating plant has been purchased by "C" and none of the revenue from the liquids is disbursed to the producers of the gas.

The liquids **are not taxable** and should not be reported.

Any person purchasing liquids at gas treating facilities or at pipeline drip stations should contact the Comptroller's office if there is any question as to whether the tax is due.



# **NATURAL GAS TAX REPORTS**

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**Monthly Report**

**Amended Report**

**Adjustment Notice**



# NATURAL GAS MONTHLY REPORT

## Oil Field Clean-up Regulatory Fee

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Effective with September 1991 production, the oil field clean-up regulatory fee was imposed in the amount of  $\frac{1}{30}$ th of one cent (or .000333) for each MCF (1000 cubic feet) of gas produced.

As a result of the enactment of Senate Bill 310 passed by the 77th Legislature, an increase to the oil field clean-up regulatory fee to  $\frac{1}{15}$ th of one cent (or .000667) for each MCF of gas produced was imposed effective September 1, 2001, or the September 2001 filing period.

### **HOUSE BILL 3442 (Effective September 1, 2003)** **Oil Field Clean-up Fee and Exemption**

The Natural Resources Code is amended to ensure that the oil field clean-up fee is not affected by exemptions for natural gas and crude oil production taxes. House Bill 3442 assesses the fee independently of exemption for high-cost gas (reduced tax rate), incremental production, coproduction projects, enhanced oil recovery projects, two- and three-year inactive wells, TERRA and flared gas.

The total fee should be reported on the gas report under a separate commodity code called “**FEE**” (FE-8). This line contains the gross taxable fee volume, the net taxable fee volume and the amount of fee due.

The volume subject to the regulatory clean-up fee is the sum of the taxable volume for commodities paid on:

- raw gas (RG)
- lease use (LU) and
- plant products (PR)
- residue gas (RS) volumes that were not included in plant products volume or raw gas volume

The taxable volume should **not include** any:

- exempt royalty interest for governmental entities
- residue gas lease use volumes (if the residue returned volume was included as part of the plant product or raw gas volume)
- condensate (CN)

## Who Must File A Report

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- All first purchasers and/or processors of gas produced in Texas who take delivery at the lease
- All producers of natural gas
- A report must be filed, even if there is no production or deliveries for the production month. A “zero” report will satisfy the filing requirements and prevent any severance action from the Comptroller’s office.

## Detailed Instructions for Original Producer or Purchaser/Processor Report Forms

---

### **Block No:**

#### **a. & j. T-Code:**

Check the corresponding boxes to indicate which type of report you are filing.

#### **b. Document Locator Number (DLN)**

- Do not use this area.
- The Comptroller’s office uses this area to place a microfilm document locator number normally called, “DLN”.

#### **c. Taxpayer Number:**

- 11-digit taxpayer number assigned by the Comptroller’s office to identify your account.

#### **d. Filing Period:**

- The month and year of production to be reported.

#### **e. Four-Digit Filing Period:**

- Enter the number representing the filing period in YYMM (year/month) format.  
*Example:* for January, 2004, enter 0401.

#### **f. Taxpayer Name and Mailing Address:**

- Enter the company name and natural gas mailing address as reflected on the Comptroller’s office records. To change or correct your address, write the new address in this block.

#### **g. Due Date of this Report:**

- Your preprinted report will indicate the actual due date of the report.

**Block No:**

**h. & i. Used by the Comptroller’s office Only:**

- Lease Detail Information

**OIL FIELD CLEAN-UP REGULATORY FEE**

**10A Gross Taxable Fee Volume:**

- The cumulative amount of the gross volumes on lease types “1” (oil), “2” (gas), “3” (two-year inactive), “4” (flared/released), “4” (flared/released), “5” (high cost gas reduced tax rate), “7” (three-year inactive), and “9” (incremental), if you are liable for the tax.
- Enter the sum total for all taxable “Your Volume” amounts (Block 11) for raw gas (RG), lease (use (LU), and plant product (PR) commodities only for the lease types listed above.
- Enter net taxable volumes of residue (RS) not included in product (PR) volume.

**11A Net Taxable Fee Volume:**

- This fee must be calculated on all lease types “1” (oil), “2” (gas), “3” (two-year inactive), “4” (flared/released), “5” (high cost gas reduced tax rate), “7” (three-year inactive), and “9” (incremental), if you are liable for the tax.
- Enter the sum total of all taxable “Your Volume” amounts (Block 11).
  - **Do not report** the exempt royalty interest.
  - **Do not report** residue gas and lease use volumes (if the residue returned volume was included as part of the plant product or raw gas volume).

**1 Lease Name:**

- Enter the lease name as recorded with the Texas Railroad Commission.

**2 County of Production:**

- Enter the county as recorded with the Texas Railroad Commission. If the lease overlaps a county line, the county where the purchase meter is located should be shown.

**3 Other Party Name:**

- **Purchaser/Processors:** Enter the name of the producer or interest owner from whom the commodity is taken on the lease.
- **Producer:** Enter the name of the first purchaser, if delivery is made on the lease. When reporting a sale to yourself or Lease USE (LU-3) commodity code, enter your producer name. On sales where delivery is made off the lease, enter 4444444444, 5555555555, or 6666666666.

**Block No:**

**4 Commodity**

- Enter the commodity codes reported for this detail record: two alpha characters and one number. Use one of the nine commodity codes listed below:

**RG 1 Raw Gas** – Sale or purchase of raw unprocessed oil well gas or gas well gas shown as M.C.F.

**IK 2 In-Kind – No Longer in Effect**

**LU 3 Lease Use** – All gas produced and used in a taxable manner, whether it is oil well gas, gas well gas, or residue gas.

- The producer must always be shown as the other party.
- Lease Use should never be reported on a purchaser/processor report.

**CN 4 Condensate** – Report the taxable disposition and purchase of all condensate, actual, or theoretical.

Use CN-4 only when reporting a gas lease, type 2. It should be reported in barrels, rounded to the nearest whole barrel.

- CN-4 cannot be reported as an off-lease sale.
- CN-4 is the only commodity that cannot be reported as an oil well, type “1”, or any approved exempt lease types 3, 4, 5, 6, 7, 8 or 9.
- Oil production from a well classified as type “1” must be reported on the *Texas Monthly Report of Taxable Crude Oil* (Form #10-132).

**RS 5 Residue Gas** – Gas that has been processed and the liquids removed by a processing plant. Residue gas should only be reported when the purchaser of the products is different. If a processing plant takes title to both the products and the residue, report as RG-1 with the plant operator as the purchaser.

**PR 6 Products** – Liquid hydrocarbons extracted from a gas stream at a plant. Use PR-6 only when the products and residue purchasers are different. Do not use gallons extracted or shrinkage volume. Enter the total inlet volume to the processing plant as the volume



**Block No:**

(i.e., the raw gas volume delivered to the extraction plant).

**5 Types:**

- Enter the number for the designated lease type:
  - 1 oil lease
  - 2 gas lease
  - 3 approved two-year inactive lease (beginning September 1, 1997 or 9709)
  - 4 approved flared/released gas lease (beginning September 1, 1997 or 9709)
  - 5 approved high-cost lease with reduced rate (beginning September 1, 1996 or 9609)
  - 6 approved high-cost gas lease (beginning September 1, 1991 or 9109). This exemption ended 8/31/2001)
  - 7 approved three-year inactive well (beginning September 1, 1991 or 9109)
  - 8 approved co-production (beginning September 1, 1993 or 9309). This exemption ended 8/31/2001.
  - 9 approved incremental production gas lease (beginning September 1, 1997 or 9709. This exemption was suspended 0012, but was reinstated 0106, then suspended again effective 0303.)

**6 County Code:**

- Enter the Comptroller’s office 3-digit code for the county shown in Block 2. See pages 118 and 119 for these codes.

**7 Lease Number / Self-Check Digit:**

- Enter the identification number assigned by the Texas Railroad Commission for the lease shown in Block 1. This number consists of a six-digit gas completion number or a five-digit oil lease number with a preceding zero.
- The Texas Railroad Commission assigns separate completion numbers to gas reservoirs. Therefore, the number assigned to the property becomes the lease identification number used to report volumes and values to the Comptroller’s office.

*NOTE:* When reporting volumes and values on a lease not yet assigned by the Railroad Commission, use the drilling completion number assigned to the lease until the Railroad Commission assigns a lease number.

- When reporting multiple wells within one lease where only one or more wells qualify for an exemption, report each well separately.

**Block No:**

- Enter the check digit. The check digit is a mathematically calculated check digit used by the Comptroller’s office. Call our toll-free number to verify the check digit.
- Complex facility numbers, beginning with a prefix of 3 or 4, are no longer valid and should not be used for reporting periods after September 2004, or 0409.

**8 Other Party Number:**

- **Purchaser/Processors:** Enter, the 11-digit taxpayer number for the other party (producer) whose name is shown in Block 3.
- **Producer: For delivery made on the lease, enter the taxpayer number for the other party (purchaser/processor) whose name is shown in Block 3.**
  - \* For off-lease delivery in Texas, enter 44444444444;
  - \* For off-lease delivery out of Texas, enter 55555555555;
  - \* For off-lease delivery of some of the gas in Texas and some of the gas out of Texas, enter 66666666666.
- The designated off-lease taxpayer number may not be used prior to September 1987, or 8709.

**9 Are You the Lease Operator?**

- If you are a purchaser, check “No”.
- If you are an interest owner(s) taking your gas or condensate in-kind, check “No”.
- If you are the physical operator (i.e. operator of record) of the lease, check “Yes”.

**10 Total Lease Volume:**

- The total lease volume block **SHOULD NOT BE USED** by non-operators.
- Block 10 should be completed by the physical operator (i.e. operator of record listed with the Railroad Commission) and reflect 100% of the commodity being reported.
- Lease Use (LU-3) – Report total volume used.
- RG 1: Raw Gas - Report volume of gas produced (MCF)
- CN 4: Condensate – Round the volume to the nearest whole barrel.
- PR 6: Products – Report the inlet volume (M.C.F.) to the plant.
- RS 5: Residue – Report the volume of gas (M.C.F) actually sold under the contact.

*NOTE:* If a processing plant takes title to both the products and residue, **DO NOT** report PR & RS as separate items. Use the RG designation.

**Block No:**

- **Volume should be reported in whole numbers only for all lease types except lease type “5”.**
- **Lease Type “5” leases must indicate the actual reduced tax rate.**

**11 Your Volume:**

- **Purchaser/Processors** should enter the total volume purchased.
- **Producers** reporting as the operators, should report the production being sold under their own contract.
- **Non-operators** taking their production in-kind should report their share of the production being sold under their own contract.
- CN 4: Condensate – Round the volume to the nearest whole barrel.
- RS 5: Residue – Report the volume of gas (M.C.F.) actually sold under the contact.
- PR 6: Products – Report the inlet volume (M.C.F.) to the plant.
- RG 1: Raw Gas – Report volume of gas SOLD (M.C.F.)
- **Do not enter decimal numbers, enter only whole numbers.**

**12 Your Value:**

- Enter the entire value associated with the volume. This is usually referred to as the “contract price”.
- Cost Reimbursement from the gas purchaser should be included.
- **Tax Reimbursement from the gas purchaser should not be included.**
- **Enter as dollars and cents. (include decimals, i.e. \$1000.00)**

**13 Are You Liable for Tax?**

- Check this box to show if you are responsible for paying tax on this lease.
- If “Yes”, complete Blocks 14, 15, and 16, if applicable.
- If “No”, do not complete Blocks 14, 15, and 16.
- **Producers** reporting the designated off-lease taxpayer number are responsible for reporting and paying the tax, enter “yes.”

**14 Exempt Interest:**

- Enter the value not subject to tax because of a governmental exempt status, such as state royalty (see Rule 3.14 on page 4).
- **DO NOT** enter value associated with lease types approved for a legislative tax exemption.
- Enter the dollars and cents.

**Block No:**

**15 Marketing Cost:**

- **Purchaser/Processor** – Enter deductible contractual marketing cost being deducted from your payment to producers, such as compression and dehydration costs.
- **Producers** – Enter actual marketing costs incurred.  
Marketing costs are allowable expenses incurred by the producer in getting the gas from the well-head to market. They include:
  - cost for **compressing** the gas sold;
  - cost for **dehydrating** the gas sold;
  - cost for **sweetening** the gas sold;
  - cost for **delivering** the gas sold.
- Enter value as dollars and cents, using decimals.
- See Audit Policy on Marketing Costs for more detailed information, pages 110-120.

**16 Net Taxable Value/Tax Rate:**

- Enter the net value of Block 12 less Block 14 and 15 (may not be less than zero).
- For 2-year inactive (type “3”), flared and re-released (type “4”), high cost gas (type “6”), 3-year inactive (type 7) and co-production projects (type “8”) leases, enter zero. The exemption for high cost gas (type “6”) ended August 2001.
- For high cost gas exemption (type “5”), enter the TAX DUE amount. This amount is the value less any reported value in Blocks 14 and 15 multiplied by the rate reported in Block 10.
- For incremental production (type “9”) take the value reported in Block 12, minus any value reported in blocks 14 and 15, and enter 50% of the value.  
*NOTE:* Leases reported with a type “9” must also have a baseline volume and value reported under a type “1”.
- Enter value as dollars and cents, using decimals. Enter the actual tax due based on the reduced tax for type “5” high cost exempt lease(s).

**17 Total Net Taxable Value of Condensate:**

- Enter the sum of all net taxable values in Block 16 for leases that contain a commodity of CN-4.
- Enter as dollars and cents.

**18 Total Net Taxable Value of Gas:**

- Enter the sum of all net taxable values in Block 16 for all leases and all commodity codes, except CN-4 and type “5” leases.
- Enter as dollars and cents.

**Block No:**

- 19 Tax Due on Condensate:**
- Multiply the total net taxable value on condensate reported in Block 17 by 4.6% (.046) and enter here.
- 20 Tax Due on Gas:**
- Multiply the total net taxable value of gas reported in Block 18 by 7.5% (.075) and enter here.
- 21 Regulatory Fee Due (Beginning September 1991):**
- Enter the value reported in Block 12A.
- 22 Tax Due on Type 5 Leases:**
- Enter the total sum of the tax due reported in Block 16 for all type “5” leases only.
- 23 Amount of Tax and Fee Due on Gas:**
- Enter the sum of tax due on gas (Line 20), the regulatory fee due (Line 21), and tax due on type “5” leases (line 22).
- 24 Total Tax and Fee Due:**
- Enter the sum of the tax due on condensate (Line 19), the tax and fee due on gas (Line 23).
- 25 Enter Overpayments:**
- Enter the sum of any existing overpayments and/or any current credits you wish to apply and attach a *Transfer of Previous Payment* (Form #10-147, see page 74) and the “overpayment notice,” if any. The transfer of a credit into a liability will not occur unless a *Transfer of Previous Payment* is filed.
- 26 Net Amount Due:**
- Enter the amount of the total tax due (Line 24) less overpayments (Line 25).

**Block No:**

- 27 Late Filing Penalty and Interest:**
- Monthly reports and payments are due on or before the 20th day of the second month following the month of production.
  - Annual filer reports and payments are due on or before the 20th day of February of each year covering all production periods during the preceding calendar year.
- If your payment of tax due is:**
- 1-30 days late, penalty is 5% of the net amount due reported in Line 26.
  - more than 30 days late, an additional 5% penalty or penalty of 10% of the net amount due reported in Line 26.
  - more than 60 days late, penalty is 10% of the net amount due Line 26, plus the applicable interest rate of the net amount due beginning 61 days after the due date. Due to annual variable interest rate changes, please contact a tax examiner in the Natural Gas tax section to assist in the calculation of interest.
- 28 Total Amount Due and Payable:**
- Enter the net amount due **plus** any late filing penalty and interest.
  - The check should be made payable to State Comptroller.



**NATURAL GAS REPORTS: EXAMPLE OF MONTHLY REPORT WITH EXEMPTIONS (FORM #10-143 FRONT)**



10-143 TEXAS REPORT OF NATURAL GAS  
(Rev. 9-03/23)

01

a. T Code  PUR/PROC ■ 11100  
 PRODUCER ■ 11200  
 00990 ■ 1124

Do not write in the space above

Page 1 of 2

c. Taxpayer number  
**1-23-4567891-2**

**REPORT MUST BE FILED  
EVEN IF NO TAX IS DUE**

d. Filing period  
**January 2004**

e. (yy/mm)  
**0401**

f. Taxpayer name and mailing address  
**The Perfect Oil & Gas Company  
711 Lucky Street  
Austin, TX 78728**

g. Due date of this report  
**March 20, 2004**

- USE DOLLARS AND CENTS WHERE APPLICABLE
- DO NOT TYPE IN SHADED AREAS
- SEE INSTRUCTIONS ON REVERSE SIDE

PLEASE TYPE

NOTE: If item 13 for any lease is "NO," DO NOT complete Items 14, 15 and 16 for that lease.

**OIL FIELD CLEAN-UP REGULATORY FEE**

4A. Commodity	5A.	6A.	7A.	8A.	9A.	10A. Gross taxable fee volume
FE 8	0	000	000000	0	X 0	1,127,100
11A. Net taxable fee volume	12A.	13A.	14A.	15A.	16A.	
1,127,100	000	X 0	000	000	000	

1. Lease name (as recorded with the Texas Railroad Commission) <b>Ryne Gas Unit #200</b>			2. County of production <b>Bastrop</b>		3. Other party name <b>Horvath Oil &amp; Gas Corp.</b>		
4. Commodity	5. Type	6. County code	7. Lease no./Self-check digit	8. Other party number	9. Are you the lease operator?		10. Total lease vol./tax rate
RG 1	2	011	154321 7	17776668889	<input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0		45,600
11. Your volume	12. Value of your volume	13. Are you liable for tax?		14. Exempt value	15. Marketing costs	16. Net taxable value/tax due	
45,600	182,400.00	<input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0			20,000.00	162,400.00	

1. Lease name (as recorded with the Texas Railroad Commission) <b>Lindy Lease #101</b>			2. County of production <b>Bastrop</b>		3. Other party name <b>Brunson Operating Company</b>		
4. Commodity	5. Type	6. County code	7. Lease no./Self-check digit	8. Other party number	9. Are you the lease operator?		10. Total lease vol./tax rate
RG 1	5	011	145678 8	15554446667	<input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0		.035
11. Your volume	12. Value of your volume	13. Are you liable for tax?		14. Exempt value	15. Marketing costs	16. Net taxable value/tax due	
90,000	360,000.00	<input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0			30,000.00	11,550.00	

j. T Code  PUR/PROC ■ 11110  PRODUCER ■ 11210

**REPORT TOTALS AND TAX COMPUTATION**

PLEASE TYPE

17. Total net taxable value of condensate	72,000.00	24. Total tax and fee due (Item 19 plus Item 23)	357,081.27
18. Total net taxable value of gas	4,552,900.00	25. Enter overpayments (Attach "Transfer of Previous Payment")	0.00
19. Tax due on condensate (Multiply Item 17 by )	3,312.00	26. Net amount due (Item 24 minus Item 25)	357,081.27
20. Tax due on gas (Multiply Item 18 by )	341,467.50	27. Late filing penalty and interest (See instructions)	0.00
21. Regulatory fee due (Multiply Item 11A by )	751.77	28. TOTAL AMOUNT DUE AND PAYABLE (Item 26 plus Item 27)	357,081.27
22. Tax due on type 5 leases	11,550.00		
23. Amount of tax & fee due on gas (Total of Items 20, 21 and 22)	353,769.27		

Make the amount in Item 28 payable to:  
STATE COMPTROLLER  
Mail to: COMPTROLLER OF PUBLIC ACCOUNTS  
111 E. 17th Street  
Austin, TX 78774-0100

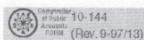
Field Office no.  
Date  
E.O. name User ID

I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief.  
Taxpayer or duly authorized agent  
**sign here**  
Phone (Area code and number) **(512) 421-1111** Date **3/11/04**

For assistance with any Texas Natural Gas Tax problem, call 1-800-252-1384 toll free nationwide. The Austin number is 512-463-4600. (From a Telecommunications Device for the Deaf (TDD) ONLY call 1-800-249-4099 toll free. The Austin number is 512-463-4621.)



**NATURAL GAS REPORTS: EXAMPLE OF MONTHLY REPORT WITH EXEMPTIONS, SUPPLEMENT PAGE (FORM #10-144 FRONT)**



TEXAS NATURAL GAS - SUPPLEMENT

02

a. T Code  PUR/PROC  11100  
 PRODUCER  11200

Do not write in the space above

Page 2 of 2

c. Taxpayer number  
**1-23-4567891-2**

d. Filing Period  
**January 2004**  
 e. (yy/mm)  0401

f. Taxpayer name  
**The Perfect Oil & Gas Company**

• USE DOLLARS AND CENTS WHERE APPLICABLE

• PLEASE TYPE • DO NOT TYPE IN SHADED AREAS

NOTE: Each filing period and report type (PUR/PROC or PRODUCER) MUST have a cover page, form 10-143.

1. Lease name (as recorded with the Texas Railroad Commission)			2. County of production			3. Other party name		
<b>Jody Oil Unit #11</b>			<b>Comal</b>			<b>Galle Gas Purchasers Inc.</b>		
4. Commodity	5. Type	6. County code	7. Lease no./Self-check digit	8. Other party number	9. Are you the lease operator?	10. Total lease vol/tax rate		
<b>RG</b>	<b>1</b>	<b>3</b>	<b>046</b>	<b>045678</b>	<b>1</b>	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	<b>2,500</b>	
11. Your volume	12. Value of your volume	13. Are you liable for tax?	14. Exempt value	15. Marketing costs	16. Net taxable value/tax due			
<b>2,500</b>	<b>7,500.00</b>	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>			
<b>Lucky Rose Gas Unit #500</b>			<b>Dallas</b>			<b>Baladez Trading &amp; Transportation Inc.</b>		
4. Commodity	5. Type	6. County code	7. Lease no./Self-check digit	8. Other party number	9. Are you the lease operator?	10. Total lease vol/tax rate		
<b>RG</b>	<b>1</b>	<b>2</b>	<b>057</b>	<b>198765</b>	<b>8</b>	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	<b>989,000</b>	
11. Your volume	12. Value of your volume	13. Are you liable for tax?	14. Exempt value	15. Marketing costs	16. Net taxable value/tax due			
<b>989,000</b>	<b>4,450,500.00</b>	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	<b>0.00</b>	<b>60,000.00</b>	<b>4,390,500.00</b>			
<b>Lewellyn Lease #200</b>			<b>Lavaca</b>			<b>Sinclair Gas Purchasers Inc.</b>		
4. Commodity	5. Type	6. County code	7. Lease no./Self-check digit	8. Other party number	9. Are you the lease operator?	10. Total lease vol/tax rate		
<b>CN</b>	<b>4</b>	<b>2</b>	<b>143</b>	<b>123456</b>	<b>0</b>	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	<b>6,000</b>	
11. Your volume	12. Value of your volume	13. Are you liable for tax?	14. Exempt value	15. Marketing costs	16. Net taxable value/tax due			
<b>6,000</b>	<b>72,000.00</b>	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO			<b>72,000.00</b>			
<b>Kevin et al #4</b>			<b>Midland</b>			<b>Franklin Ltd. Partnership</b>		
4. Commodity	5. Type	6. County code	7. Lease no./Self-check digit	8. Other party number	9. Are you the lease operator?	10. Total lease vol/tax rate		
<b>CN</b>	<b>4</b>	<b>2</b>	<b>165</b>	<b>111456</b>	<b>7</b>	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	<b>2,400</b>	
11. Your volume	12. Value of your volume	13. Are you liable for tax?	14. Exempt value	15. Marketing costs	16. Net taxable value/tax due			
<b>2,400</b>	<b>26,400.00</b>	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO			<b>0.00</b>			
1. Lease name (as recorded with the Texas Railroad Commission)			2. County of production			3. Other party name		
4. Commodity	5. Type	6. County code	7. Lease no./Self-check digit	8. Other party number	9. Are you the lease operator?	10. Total lease vol/tax rate		
					<input type="checkbox"/> YES <input type="checkbox"/> NO			
11. Your volume	12. Value of your volume	13. Are you liable for tax?	14. Exempt value	15. Marketing costs	16. Net taxable value/tax due			
		<input type="checkbox"/> YES <input type="checkbox"/> NO						
1. Lease name (as recorded with the Texas Railroad Commission)			2. County of production			3. Other party name		
4. Commodity	5. Type	6. County code	7. Lease no./Self-check digit	8. Other party number	9. Are you the lease operator?	10. Total lease vol/tax rate		
					<input type="checkbox"/> YES <input type="checkbox"/> NO			
11. Your volume	12. Value of your volume	13. Are you liable for tax?	14. Exempt value	15. Marketing costs	16. Net taxable value/tax due			
		<input type="checkbox"/> YES <input type="checkbox"/> NO						

CARRY THE TOTAL ON THIS PAGE AND ALL OTHER SUPPLEMENT PAGES FORWARD TO PAGE 1.



# NATURAL GAS REPORTS: EXAMPLE OF MONTHLY REPORT INSTRUCTIONS (FORM 10-143 BACK)

10-143 (Back) (Rev. 9-03/23)

**WHO MUST FILE** – Every first purchaser and/or processor of gas produced in Texas, who takes delivery at the lease, must file this report. All producers of natural gas and interest owners taking their production "in-kind" must file this report. This report must be filed even if no production occurred. If you have no transactions to report, enter zeros in the first reporting block and in Items 17 and 18. If you are no longer required to file this report, enter "FINAL REPORT" and give the reason in an available space.

*NOTE – Purchasers will be requested to discontinue purchasing gas from producers who are delinquent in filing this report.*

**WHEN TO FILE** – Monthly reports and payments are due on or before the 20th day of the second month following the month of production. Gas producers' annual reports and payments are due on or before February 20 of each year covering all production during the preceding calendar year. Producers reporting annually who go out of business during the year must file a report and pay any tax due on or before the 20th day of the second month after the month in which production ceased.

**FOR ASSISTANCE** – For assistance with any Texas Natural Gas or Crude Oil tax problem, please call 1-800-252-1384 toll free nationwide. The Austin number is 512/463-4600. If you're calling from a Telecommunications Device for the Deaf, the toll-free number is 1-800-258-4099, or in Austin, 512/463-4621.

**PLEASE TYPE ALL INFORMATION** so that your return can be processed more quickly and accurately. Type only in white areas.

• Report all gas volumes in M.C.F. (1,000 cubic feet) at a pressure base of 14.4 pounds plus 4 ounces (14.65 pounds absolute).

*Under Ch. 559, Government Code, you are entitled to review, request, and correct information we have on file about you, with limited exceptions in accordance with Ch. 552, Government Code. To request information for review or to request error correction, contact us at the address or toll-free number listed on this form.*

## SPECIFIC INSTRUCTIONS

Items a & j – (T Code) Check the boxes to indicate if you are filing a Purchaser/Processor or Producer report.

Item e – Enter the number representing the filing period of the report. Examples: For September, 2003, enter 0309; for January, 2004, enter 0401.

Item 10A – Gross taxable fee volume: Enter the total of all gas volumes on which you are liable for tax.

Item 11A – Net taxable fee volume: Enter the total of all gas volumes on which you are liable for tax less any exempt volume, as defined in Comptroller Rule 3.14.

Item 3 – **PURCHASER/PROCESSOR:** Enter the name of the producer or interest owner from whom commodity is taken on the lease.  
**PRODUCER:** Enter the name of the first purchaser/processor if delivery is made at the lease. Otherwise, enter your own name.

Item 4 – Enter the commodity type reported in this item: two alpha characters and one number. Use one of the six commodity types described.

RG 1 – **RAW GAS** – Sale or purchase of raw, unprocessed oil well, or gas well gas.

IK 2 – **IN-KIND** – Products extracted by a gas processor and delivered in-kind to the producer. Report one MCF of gas for IK items regardless of the actual volume of gas associated with the products.

LU 3 – **LEASE USE** – All gas produced and used in a taxable manner, whether it is oil well gas, gas well gas, or residue gas.

CN 4 – **CONDENSATE** – The taxable disposition and purchase of all condensate, actual or theoretical.

RS 5 – **RESIDUE GAS** – Residue gas sold or purchased only when there is a distinct sale or purchase of residue gas. If a processing plant takes title to both the products and the residue, DO NOT report PR and RS as separate items. Use the RG designation.

PR 6 – **PRODUCTS** – Use only when the product and residue purchasers are different parties. The volume will be raw gas volume processed.

Item 5 – Enter the number for the lease type designated by the Texas Railroad Commission: 1 - Oil lease, 2 - Gas lease, 3 - 2-year inactive well, 4 - flared/release, 5 - high cost gas lease after 9/21/96, 6 - High cost gas lease, 7 - 3-year inactive well, 8 - Co-production project.

Item 6 – Enter the Comptroller's 3-digit code for the county shown in Item 2.

Item 7 – For the lease shown in Item 1, enter the identification number assigned by the Texas Railroad Commission or Comptroller's office. This number consists of a 6-digit gas completion number or a 5-digit oil lease number with a leading zero. Also, if available, enter the self-checking digit in the box on the right.

Item 8 – **PURCHASER/PROCESSOR:** Enter the 11-digit taxpayer number for the other party shown in Item 3.  
**PRODUCER:** For delivery made on the lease, enter the taxpayer number for the other party in Item 3. For off-lease delivery in Texas, enter 4-444444-44-4. For off-lease delivery out of Texas, enter 5-555555-55-5. For off-lease delivery of some of the gas in Texas and some of the gas out of Texas, enter 6-666666-66-6.

*NOTE: If a producer commingles gas from more than one lease and delivers it to a purchaser, either on or off the lease, then the entire delivery must be reported as an off-lease delivery.*

Item 9 – **PURCHASER/PROCESSOR:** Skip Items 9 and 10, go to Item 11.  
**PRODUCER:** If you are the physical operator of the lease, check "YES." If you are an interest owner, check "NO."

Item 10 – **PURCHASER/PROCESSOR AND PRODUCERS:** For type 5 leases, enter the approved reduced tax rate for the lease.  
**PURCHASER/PROCESSOR:** for type 1, 2, 6, 7, and 8, skip Items 9 and 10; go to Item 11. **PRODUCER:** If you are reporting as a lease operator ("YES" check in Item 9), then:  
for CN – report 100% of the volume removed from the lease by you and any other owner(s) taxing in-kind;  
for RG, RS & PR – report 100% of the volume sold by you and the total volume delivered in-kind to other interest owners;  
for LU – report 100% of the volume used by you, the operator;  
for IK – report 1 MCF.

Item 11 – **PURCHASER/PROCESSOR:** Enter the total volume purchased. For an IK transaction, report 1 MCF.  
**PRODUCER:** reporting as operator:  
PR, RS, RG, and CN – the volume sold under your contract.  
LU – the TOTAL volume used by you.  
IK – 1 MCF.  
**PRODUCER:** reporting as non-operator:  
PR, RS, RG, and CN – the volume taken in-kind and sold by you.  
LU – the volume taken in-kind and used by you.  
IK – 1 MCF.

Item 12 – Enter the entire value of Item 11. DO NOT include tax reimbursement, if any. Processor reports \$1.00 for "IK" commodity.

Item 13 – Check the box to show if you are or are not responsible for paying tax on this item. If "YES," complete Items 14, 15, and 16, as necessary. If "NO," DO NOT complete Items 14, 15, and 16.

Item 14 – Enter the value not subject to tax because of an exempt status, such as state royalty.

Item 15 – **PURCHASER/PROCESSOR:** Enter deductible contractual marketing costs being deducted from your payment to producers, such as compression, dehydrating, etc.  
**PRODUCER:** Enter deductible marketing costs incurred by you.

Item 16 – For lease types 1 and 2, enter the net value of Item 12 less Items 14 and 15. (May not be less than zero.) For types 3, 4, 6, 7, and 8 leases, enter a zero. For type 5 leases, enter the sum of Item 12 less Items 14 and 15 times Item 10.

Item 21 – **Regulatory fee due:** Enter the total fee due. (For reporting periods prior to 0109, multiply Item 11A by \$.000333. For reporting periods 0109 and later, multiply Item 11A by \$.000667.

Item 27 – **PENALTY:** If 1-30 days late, enter 5% of Item 26. If more than 30 days late, enter 10% of Item 26.

Item 27 – **INTEREST:** If any tax is unpaid 61 days after the due date, enter interest on the amount in Item 26. Calculate interest at the rate published online at <<http://www.window.state.tx.us>> or call the Comptroller toll free at 1-877-44RATE4, for the applicable interest rate.

# NATURAL GAS AMENDED REPORT

## General Guidelines For Filing An Amended Report

The *Texas Natural Gas Amended Report* (Form #10-145) is a form used by purchasers, monthly producers, and annual producers to amend and/or add data previously reported on original reports.

To amend more than one month, taxpayer must file a separate amendment for each individual month. **Do not** combine totals of reports for different months on the cover page of one report. Every report month must have its own cover page with calculated totals.

Always verify that any changes made on an amended report are not being duplicated on an adjustment notice.

Taxpayers may obtain blank amended forms through our website at:

<http://www.window.state.tx.us/taxinfo/taxforms/11-forms.html>

### To Amend Previously Reported Data:

- Enter the **net adjustment** to the last reported figures in Blocks 10-16.
- Net adjustment is the difference between what was previously reported to what should be reported.
- Do not use replacement volumes or values. Using replacement figures could double your tax liability.
- Adjusted amounts entered may be positive or negative figures. Please enclose all negative figures in brackets “[ ]” or parentheses “( )”.

- When amending volumes in Block 11A to the “Oil Field Clean-up Regulatory Fee,” use the appropriate rate for the filing period being amended. For periods prior to August 31, 2001, multiply by the rate of .000333. For periods beginning September 1, 2001, multiply by the rate of .000667. Enter the net difference in Block 12 A.

### To Report New Data:

- Enter the data on each block as it should have been reported on the original report.

### To Delete Data Reported in Error:

- Volume and value amounts reported under the wrong “commodity,” “county,” “lease number,” or “other party number” should be entered as negative figures enclosed in brackets or parentheses under the wrong “commodity,” “county,” “lease number,” or “other party number as reported”.

*NOTE:* Data being reversed out must match exactly the way it is recorded on the Comptroller’s records. A history may be necessary to correct incomplete data previously reported. (For example, blocks left blank, invalid lease numbers and invalid secondary taxpayer numbers).

- Complete another line for the correct commodity, lease number, or other party number and enter the correct volume and value amounts as positive figures.



**NATURAL GAS REPORTS: EXAMPLE OF AMENDED REPORT CORRECTING A LEASE, PAGE 1 (FORM #10-145)**



10-145 TEXAS NATURAL GAS -  
(Rev. 1-04/22) AMENDED REPORT

01

a. T Code  Pur/Proc  11120  
 Mo. Prod  11220  
 00990  1124  Ann. Prod.  11320

Do not write in the space above

Page 1 of 2

c. Taxpayer number  
12345678901

d. Filing Period  
**January 2004**  
e. (yymm)  
0401

f. Taxpayer name and mailing address  
**The Perfect Oil & Gas Company  
711 Lucky Street  
Austin, TX 123456**

- PLEASE TYPE ALL INFORMATION
- TYPE IN WHITE AREAS ONLY
- USE DOLLARS AND CENTS WHERE APPLICABLE
- SEE INSTRUCTIONS ON REVERSE SIDE

USE THIS FORM TO REPORT ADJUSTMENTS OR SUPPLEMENTS TO YOUR ORIGINAL REPORT.  
ENTER NET ADJUSTMENT AMOUNTS FOR ITEMS TO BE CORRECTED AND CORRECT AMOUNTS FOR ITEMS THAT WERE OMITTED ON YOUR ORIGINAL REPORT.

**OIL FIELD CLEAN-UP REGULATORY FEE**

4A.	5A.	6A.	7A.	8A.	9A.	10A. Gross taxable fee volume
					X <input type="checkbox"/> 0	270,777
11A. Net taxable fee volume	12A.	13A.	14A.	15A.	16A.	
270,777	180.61		X <input type="checkbox"/> 0			

1. Lease name (as recorded with the Texas Railroad Commission) <b>The Best Lease #11</b>			2. County of production <b>Maverick</b>		3. Other party name <b>The Best Purchaser In the World</b>	
4. Commodity <b>RG</b>	5. Type <b>1</b>	6. County code <b>2</b>	7. Lease no./Self-check digit <b>159</b>	8. Other party number <b>163420</b>	9. Are you the lease operator? <input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0	10. Total lease vol/tax rate <b>8</b> <b>(54,415)</b>
11. Your volume <b>(54,415)</b>	12. Value of your volume <b>(309,914.07)</b>	13. Are you liable for tax? <input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0	14. Exempt value	15. Marketing costs <b>(49,004.03)</b>	16. Net taxable value/tax due <b>(260,910.04)</b>	

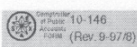
1. Lease name (as recorded with the Texas Railroad Commission) <b>Golden Nugget Lease #7</b>			2. County of production <b>Maverick</b>		3. Other party name <b>The Best Purchaser In The World</b>	
4. Commodity <b>RG</b>	5. Type <b>1</b>	6. County code <b>2</b>	7. Lease no./Self-check digit <b>159</b>	8. Other party number <b>123456</b>	9. Are you the lease operator? <input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0	10. Total lease vol/tax rate <b>1</b> <b>54,415</b>
11. Your volume <b>54,415</b>	12. Value of your volume <b>309,914.07</b>	13. Are you liable for tax? <input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0	14. Exempt value	15. Marketing costs <b>49,004.03</b>	16. Net taxable value/tax due <b>260,910.04</b>	

i. T Code <input type="checkbox"/> Pur/Proc <input checked="" type="checkbox"/> 11130 <input checked="" type="checkbox"/> Mo. Prod <input checked="" type="checkbox"/> 11230 <input type="checkbox"/> Ann. Prod <input checked="" type="checkbox"/> 11330		<b>ADJUSTMENT SUMMARY AND TAX COMPUTATION</b>	
		<i>PLEASE TYPE</i>	
17. Total net taxable value of condensate	(541,476.00)	24. Total tax and fee due (Item 19 plus Item 23)	(6,864.39)
18. Total net taxable value of gas	(1,660,000.00)	25. Enter overpayments (Attach "Transfer of Previous Payment")	0.00
19. Tax due on condensate (Multiply Item 17 by .046)	(24,907.89)	26. Net amount due (Item 24 minus Item 25)	(6,864.39)
20. Tax due on gas (Multiply Item 18 by .075)	(124,500.00)	27. Late filing penalty and interest (See instructions)	0.00
21. Regulatory fee due (Enter fee amount from Item 11A)	180.61	28. TOTAL AMOUNT DUE AND PAYABLE (Item 26 plus Item 27)	(6,864.39)
22. Tax due on type 5 leases	131,183.78		
23. Amount of tax & fee due on gas (Total of Item 20, 21, and 22)	(6,864.39)		

Make the amount in Item 28 payable to: STATE COMPTROLLER	Field Office no.	I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief.	
Mail to: COMPTROLLER OF PUBLIC ACCOUNTS 111 E. 17th Street Austin, TX 78774-0100	Date	<b>sign here</b> Taxpayer or duly authorized agent	
	E.O. name		Phone (Area code and number) <b>(830) 773-1234</b>
	User ID		

For assistance with any Texas Natural Gas Tax problem, call 1-800-252-1384 toll free nationwide. The Austin number is 512-463-4600. (From a Telecommunications Device for the Deaf (TDD) ONLY call 1-800-248-4099 toll free. The Austin number is 512-463-4621.)





TEXAS NATURAL GAS - VOLUNTARY  
AMENDED REPORT SUPPLEMENT

10

a. T Code  PUR/PROC ■ 11120  
 MO. PROD ■ 11220  
 ANN. PROD. ■ 11320

Page 2 of 2

c. Taxpayer number **12345678901** d. Filing Period **January 2004** e. (yy/mm) **0401**

f. Taxpayer name **The Perfect Oil & Gas Company**

• PLEASE TYPE ALL INFORMATION  
 • TYPE IN WHITE AREAS ONLY  
 • USE DOLLARS AND CENTS WHERE APPLICABLE

NOTE: Each filing period and report type (PUR/PROC or PROD) MUST have a cover page, form 10-145.

1. Lease name (as recorded with the Texas Railroad Commission)				2. County of production		3. Other party name			
<b>Three Leaf Clover Lease #123</b>				<b>Travis</b>		<b>Awesome Oil &amp; Gas Corporation</b>			
4. Commodity	5. Type	6. County code	7. Lease no./Self-check digit	8. Other party number		9. Are you the lease operator?		10. Total lease vol/tax rate	
RG	1	227	178910 1	32000456789		<input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0		.035	
11. Your volume	12. Value of your volume	13. Are you liable for tax?		14. Exempt value		15. Marketing costs		16. Net taxable value/tax due	
950,777	3,803,108.00	<input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0				55,000.00		131,183.78	
<b>Golden Nugget Lease #7</b>				<b>Maverick</b>		<b>Excellent Oil &amp; Gas Company</b>			
4. Commodity	5. Type	6. County code	7. Lease no./Self-check digit	8. Other party number		9. Are you the lease operator?		10. Total lease vol/tax rate	
RG	1	159	123456 1	18910123456		<input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0		0	
11. Your volume	12. Value of your volume	13. Are you liable for tax?		14. Exempt value		15. Marketing costs		16. Net taxable value/tax due	
0	0.00	<input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0				1,456,000.00		(1,456,000.00)	
<b>The Outstanding Lease #11</b>				<b>Travis</b>		<b>Dynamic Corporation</b>			
4. Commodity	5. Type	6. County code	7. Lease no./Self-check digit	8. Other party number		9. Are you the lease operator?		10. Total lease vol/tax rate	
RG	1	227	190123 3	30122334455		<input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0		(680,000)	
11. Your volume	12. Value of your volume	13. Are you liable for tax?		14. Exempt value		15. Marketing costs		16. Net taxable value/tax due	
(680,000)	(204,000.00)	<input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0						(204,000.00)	
<b>Dazzling Oil Lease #5</b>				<b>Travis</b>		<b>Dynamic Corporation</b>			
4. Commodity	5. Type	6. County code	7. Lease no./Self-check digit	8. Other party number		9. Are you the lease operator?		10. Total lease vol/tax rate	
CN	4	227	012345 0	30122334455		<input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0		(45,123)	
11. Your volume	12. Value of your volume	13. Are you liable for tax?		14. Exempt value		15. Marketing costs		16. Net taxable value/tax due	
(45,123)	(541,476.00)	<input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0						(541,476.00)	
1. Lease name (as recorded with the Texas Railroad Commission)				2. County of production		3. Other party name			
4. Commodity	5. Type	6. County code	7. Lease no./Self-check digit	8. Other party number		9. Are you the lease operator?		10. Total lease vol/tax rate	
						<input type="checkbox"/> YES 1 <input type="checkbox"/> NO 0			
11. Your volume	12. Value of your volume	13. Are you liable for tax?		14. Exempt value		15. Marketing costs		16. Net taxable value/tax due	
		<input type="checkbox"/> YES 1 <input type="checkbox"/> NO 0							

17. PAGE TOTALS

Net taxable value of gas

Net taxable value of CN

Tax due on type 5 leases

CARRY THE TOTALS ON THIS PAGE AND ALL OTHER SUPPLEMENT PAGES FORWARD TO PAGE 1.



# NATURAL GAS REPORTS: EXAMPLE OF INSTRUCTIONS TO AMENDED REPORT (FORM #10-145 BACK)

Form 10-145 (Back)(Rev.1-04/22)

## GENERAL INSTRUCTIONS

**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.

This amended report is for natural gas purchasers, processors, and producers to correct information previously reported or that should have been reported on the monthly or annual report.

- **TO CORRECT PREVIOUSLY REPORTED DATA** - Enter the net adjustment amount for each applicable item. DO NOT USE REPLACEMENT VOLUMES OR VALUES. Adjustment amounts entered may be positive or negative figures. Please enclose all negative figures in brackets ([ ]).
- **TO REPORT NEW DATA** - Enter the amount for each item as it should have been reported on the monthly or annual report.
- **TO DELETE DATA REPORTED IN ERROR** - Data reported under the wrong commodity, please number or other party number should be entered as negative figures, enclosed in brackets, under the wrong commodity, lease number or other party number as reported. Also, complete another block for the correct commodity, lease number, or other party number and enter the correct volume and value amounts as positive figures.

PLEASE TYPE ALL INFORMATION so that your return can be processed more quickly and accurately. Type only in white areas.

- Report all gas volumes in M.C.F. (1,000 cubic feet) at the pressure base of 14.4 pounds plus 4 ounces (14.65 pounds absolute).
- Report all condensate volumes in barrels rounded to the nearest whole barrel (42 U.S. gallons).

## SPECIFIC INSTRUCTIONS

Items a & l - (T Code) Check the boxes to indicate if you are filing a Purchaser/processor, Monthly Producer or Annual Producer report.

Item c - Enter your eleven-digit taxpayer number if it is not printed.

Item e - Enter the number representing the filing period of the report. Examples: For September, 2003, enter 0309; for January, 2004, enter 0401.

Item 10A - Gross taxable fee volume: Enter the total of all gas volumes on which you are liable for tax.

Item 11A - Net taxable fee volume: Enter the total of all gas volumes on which you are liable for tax less any exempt volume that is applicable to Item 14, as defined in Comptroller Rule 3.14. For 0309 reporting periods and later, include the fee volume for all types of exemptions on leases where you are liable for the tax.

Item 3 - PURCHASER-PROCESSOR: Enter the name of the producer or interest owner from whom commodity is taken on the lease. PRODUCER: Enter the name of the first purchaser/processor if delivery is made at the lease. Otherwise, enter your own name.

Item 4 - Enter the commodity type reported in this item: two alpha characters and one number. Use one of the six commodity types described.

RG 1 - RAW GAS - Sale or purchase of raw, unprocessed oil well or gas well gas.

IK 2 - IN KIND - Products extracted by a gas processor and delivered in-kind to the producer. Report one MCF of gas for IK items regardless of the actual volume of gas associated with the products.

LU 3 - LEASE USE - All gas produced and used in a taxable manner, whether it is oil well gas, gas well gas or residue gas.

CN 4 - CONDENSATE - The taxable disposition and purchase of all condensate, actual or theoretical.

RS 5 - RESIDUE GAS - Residue gas sold or purchased only when there is a distinct sale or purchase of residue gas. If a processing plant takes title to both the products and the residue, DO NOT report PR and RS as separate items. Use the RG designation.

PR 6 - PRODUCTS - Use only when the product and residue purchasers are different parties. The volume will be raw gas volume processed.

Item 5 - Enter the number for the lease type designated by the Texas Railroad Commission: 1 - Oil lease, 2 - Gas lease, 3 - 2 year inactive well, 4 - flared/released, 5 - High cost gas lease after 9/1/96, 6 - High cost gas lease, 7 - 3 year inactive well, 8 - Co-production project.

Item 6 - Enter the Comptroller's 3-digit code for the county shown in Item 2.

Item 7 - For the lease shown in Item 1, enter the identification number assigned by the Texas Railroad Commission or Comptroller's office. This number consists of a 6-digit gas completion number or a 5-digit oil lease number with a leading zero. Also, if available, enter the self-checking digit in the box on the right.

Item 8 - PURCHASER/PROCESSOR: Enter the 11-digit taxpayer number for the other party shown in Item 3.

PRODUCER: For delivery made on the lease, enter the taxpayer number for the other party in Item 3. For off-lease delivery in Texas, enter 4-444444-44-4. For off-lease delivery out of Texas, enter 5-555555-55-5. For off-lease delivery of some of the gas in Texas and some of the gas out of Texas, enter 6-666666-66-6. NOTE: If a producer commingles gas from more than one lease and delivers it to a purchaser, either on or off the lease, then the entire delivery must be reported as an off-lease delivery.

Item 9 - PURCHASER/PROCESSOR: Skip Items 9 and 10; go to Item 11.

PRODUCER: If you are the physical operator of the lease, check "YES." If you are an interest owner, check "NO."

Item 10 - PURCHASER/PROCESSOR AND PRODUCERS: For type 5 leases, enter the approved reduced tax rate for the lease. PURCHASER/PROCESSOR: For type 1, 2, 6, 7, and 8, skip Items 9 and 10; go to Item 11. PRODUCER: If you are reporting as a lease operator ("YES" checked in Item 9), then;

for CN - report 100% of the volume removed from the lease by you and any other owner(s) taking in-kind;

for RG, RS & PR - report 100% of the volume sold by you and the total volume delivered in-kind to other interest owners;

for LU - report 100% of the volume used by you, the operator.

for IK - report 1 MCF.

Item 11 - PURCHASER/PROCESSOR: Enter the adjustment to volume purchased. For an IK transaction, report 1 MCF.

PRODUCER: reporting as operator:

PR, RS, RG and CN - the volume sold under your contract.

LU - the TOTAL volume used by you.

IK - 1 MCF.

PRODUCER: reporting as non-operator:

PR, RS, RG and CN - the volume taken in-kind and sold by you.

LU - the volume taken in-kind and used by you.

IK - 1 MCF.

Item 12 - Enter the adjustment to value of Item 11. DO NOT include tax reimbursement, if any. Processor reports \$1.00 for "IK" commodity.

Item 13 - Check the box to show if you are or are not responsible for paying tax on this item. If "YES," complete Items 14, 15 and 16 as necessary. If "NO," DO NOT complete Items 14, 15 and 16.

Item 14 - Enter the value not subject to tax because of an exempt status, such as state royalty.

Item 15 - PURCHASER/PROCESSOR: Enter deductible contractual marketing costs being deducted from your payment to producers, such as compression, dehydrating, etc.

PRODUCER: Enter deductible marketing costs incurred by you.

Item 16 - For lease types 1 and 2, enter the net value of Item 12 less Items 14 and 15. (May not be less than zero.) For types 3, 4, 6, 7, and 8 leases, enter a zero. For type 5 leases, enter the sum of Item 12 less Items 14 and 15 times Item 10.

Item 21 - Regulatory Fee Due: Enter the total fee due. (For reporting periods prior to 0109, multiply Item 11A by \$0.00333. For reporting periods 0109 and later, multiply Item 11A by \$0.00667.)

Item 27 - PENALTY: If 1-30 days late, enter 5% of Item 26. If more than 30 days late, enter 10% of Item 26.

INTEREST: If any tax is unpaid 61 days after the due date, enter interest on the amount in Item 26. Calculate interest at the rate published online at <<http://www.window.state.tx.us>> or call the Comptroller toll free at 1-877-44RATE4, for the applicable interest rate.

# NATURAL GAS ADJUSTMENT NOTICE

A *Texas Natural Gas Adjustment Notice* (Form #10-213) is generated when corrections on the original or amended reports are necessary.

When an adjustment notice is mailed to a taxpayer, the taxpayer needs to correct one or more of the following conditions:

1. One or more line items were incomplete or inaccurate. A comment will be indicated in the “**COMMENT**” block.
2. If there is more than one error on the lease data or volume and/or value, a series of numbers will be listed in the “comment” block. Each number listed on the “comment” block has an assigned reason code. To identify the problems, see the back of the report lists the definition of the numbers printed.
3. The totals entered in “Total Net Taxable Value of Condensate” (block 17) and “Total Net Taxable Value of Gas” (Block 18) on the last processed report do not balance with the total calculated by the Comptroller’s office, shown by: **\*\*THIS REPORT DOES NOT BALANCE\*\*** at the top of the adjustment notice.

**NOTE: In this situation, every transaction processed from your report will print on the adjustment notice whether a transaction has a line item error or not.**

In each of the above cases the following must occur:

- Correct the transaction causing the report total to be out of balance and
- Correct **all transactions** with any “comments.”

**It is important to complete and return the generated adjustment notices promptly, because an adjustment notice can:**

- prevent the generation of a credit or liability notice.
- prevent the release of credit refund if a reporting period is in adjustment notices status.
- prevent a taxpayer from knowing that an existing liability might be assessing penalty and interest.

## General Guidelines

- **DO NOT USE REPLACEMENT FIGURES.** This could create invalid liabilities.
- To correct previously reported volumes and values, enter the net adjustment. **Net adjustment is the difference between what was previously reported and what should be reported.**

**Example:** If you reported “Your Volume”, Block 11 as 15,000 M.C.F., and the actual figure should be 150 M.C.F., then your net adjustment would be <14,850> M.C.F.

- Round all volumes to whole numbers in Blocks 10 and Block 11, unless you are reporting a lease type “5”. In this case, the reduced tax rate associated with the lease type “5” will be reported in block 10 in decimal format.
- All values require dollar and cent figures: In Blocks 12, 14 through 16, and 17 through 28, figures must include two decimals.

**Example:** Report \$100.00 not \$100.

- Brackets should only be used to decrease a volume, value, or fee amount.

**Enter all corrections in the net adjustment column.**

- Verify that changes made on the adjustment notice are not being duplicated on a voluntary amended report.

## Consolidated Adjustment Notice

If an outstanding adjustment notice is lost, a consolidated adjustment notice can be ordered upon request and mailed for completion. A consolidated adjustment notice will print all the outstanding transactions that need correction for a specific reporting period.

A transaction on a consolidated adjustment notice occasionally will not print a reason code on the comment line. Call the Comptroller’s office for assistance to determine the reason for the generation of the adjustment notice for a specific transaction.

To identify a printed consolidated adjustment notice, Block F (Last Reported DLN) located at the top of the adjustment notice is printed with eleven zeroes (“0”), known as the Document Locator Number (DLN).

Block E (Date of Notice) indicates the date the consolidated adjustment notice was ordered.

### Descriptions of Adjustment Notice Format

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#### **“Reported on Last Report” Column**

The figures printed in this column are the volumes and/or values last reported. These are the figures entered from the last report processed by the Comptroller’s office for this reporting period that created the adjustment notice.

#### **“Net Reported on this Period” Column**

The figures printed in this column are the “Grand Total” volumes and/or values reported. These figures are captured from all original and amended reports filed and are the grand total of all volumes and/or values processed by the Comptroller’s office for this transaction. If the adjustment notice is created from the original report, then the figures in this column will be identical to the figures in “Last Report” column.

#### **“Enter Net Adjustment” Column**

Anytime a report contains an invalid/blank:

- commodity code
- county code
- lease number/self-check digit
- other party number, then:
  - The Comptroller’s computer system will automatically preprint the reversal of the reported data in the “Enter Net Adjustment” column.
  - A blank section will follow below the preprinted reversed data for the completion of the corrected data.
  - The correct data for Blocks 1 through 16 must be completed each time to avoid additional reporting problems.

**Note:** The Comptroller’s computer system will assign a temporary number to a lease or other party number that has been left blank (i.e. 900001 – six-digit dummy lease number, 90000000010 – eleven-digit temporary other party number).

Data **will not** be reversed from the Comptroller’s records until the corrected adjustment notice is completed and returned for processing.

For errors on data not reversed out, enter under the “**Net Adjustment**” column to correct the reported error.

The *Oil Field Clean-up Regulatory Fee* block will always print as the first line item on the adjustment notice. This will happen even though there may not be any error comments associated with this item.

If a volume adjustment is needed to a lease on the adjustment notice where the tax liability block 13 is marked “yes”, then complete these blocks. These blocks are for corrections, for example: adding and decreasing fee volumes and values.

### Specific Instructions

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If you have a lease that contains the same information in Blocks 1 through 8, add the figures together. A lease with the same commodity code, well type, county code, lease number/self-check digit, and other party number (Blocks 1-8) can be reported only one time on an adjustment notice. Any data reported with the same information in Blocks 1 through 8 repeatedly, will be combined as one line item on the data history.

#### **Decimals In Volume Fields**

- In Block 10 do not use decimals when reporting volumes for lease types “1”, “2”, “3”, “4”, “6”, “7”, and “8”.
- For lease type 5, the reduced tax rate must be reported as a decimal figure.
- Do Not use decimals for Block 11.
- Report volumes in M.C.F. and barrels with whole figures.

**All Values Should Include Dollars and Cents.** Whole figures should have a decimal followed by two zeroes in Blocks 12 and 14 through 28).

#### **“Lease Operator” Block 9:**

- If you are the lease operator, check “**YES**”.
- If you are not the lease operator, check “**NO**”.

#### **“Total Lease Volume” Block 10:**

- For volumes reported with lease types “1”, “2”, “3”, “4”, “6”, “7”, and “8”, report 100% of the commodity.
- If marked “No” in Block 9, a zero (“0”) should be reported in Block 10.
- Type “5” leases will have the reduced tax rate reported in Block 10.



**“Liable for tax?”** – In Block 13, if you are liable for tax or the regulatory fee (on any exempt lease), check “Yes”. This does not indicate tax is due on this report. Tax due/credit is calculated in the sum values reported in Block 16, “**Net Taxable Value**” or values reported in Block 21 “**Regulatory Fee Due**.”

The total of all net taxable values reported in Block 16 must be indicated in Block 17, under “**Condensate Taxable Value**” and in Block 18, under “**Gas Taxable Value**”.

**“Late filing Penalty and Interest”** – (Line 27)

**If your payment of tax due is:**

- 1-30 days late, penalty is 5% of the net amount due reported on Line 26.
- more than 30 days late, an additional 5% penalty or penalty of 10% of the net amount due reported on line 26.
- more than 60 days late, penalty is 10% of the net amount due (line 26), plus interest beginning 61 days after the due date.

**Totals Reported on Last Report** – This is the total reported on your last report filed for this filing period. These figures are listed to help you identify which report created this adjustment notice.

**Totals Calculated by the Comptroller** – This is the combined total calculated by the Comptroller’s office of all net taxable items you reported/or entered on your last report filed for this period.

**Comment Section**

The “**Comment**” section will give the reason(s) that an adjustment is required. Below are explanations of the comments listed on an adjustment notice:

**Comment 1: “Data Item Incomplete”**

One or more data fields from Blocks 4 through 16 were omitted.

**Comment 2: “Value of Your Volume in Unreasonable”**

**Condensate** – The value should approximate your volume times the prevailing price for condensate.

**Gas** – The value should approximate your M.C.F. times the contract price per M.C.F.

**Products** – Actual value received. The volume that should be used is the well-head volume or inlet volume.

**Comment 3: “Your Volume Exceeds Total Lease Volume”**

If you are the lease operator, check “YES” in Block 9. The volume reported in Block 11, “Your Volume”, may equal but not exceed the total lease volume reported in Block 10.

If you are not the operator, check “No” in Block 9, and in Block 10 a zero (“0”) should be reported.

**“FE-8 (Fee)”** – The net taxable fee volume may not exceed the gross taxable fee volume.

**Comment 4: “Tax Liability Block Incorrect”**

- If you are liable for tax per your contract, check “Yes” in Block 13. Then in Block 12 “Your Value” less Blocks 14 and 15 “Exempt Value and Marketing Cost” should equal Block 16 “Net Taxable Value”.
- For lease types “3”, “4”, “5”, “6”, “7”, “8” and “9”, if you are liable for the tax per your contract check “Yes” and report “Exempt Value” and “Marketing Cost” associated with the lease.
- For lease types “3”, “4”, “6”, “7” and “8”, report zero (“0”) for “Net Taxable Value” .
- For lease type “5”, report the actual tax due in Block 16. This is “Your Value” Block 12, less Blocks 14 and 15 “Exempt value and Marketing Cost” times the rate reported in Block 10.
- If you are not liable for tax per your contract, check “No” in Block 13 and Blocks 14, 15 and 16 should always be zero (“0”).

**Comment 5: “Lease Number Wrong”**

Block 7, the “Lease Number/Self Check Digit”, is incorrect.

On the adjustment notice this message will preprint the data reversed out in the “Enter Net Adjustment” column. A blank section will be provided below or on the next page to re-enter the corrected data. Complete all Blocks 1 through 16.

**Comment 6: “Commodity Code Missing/Wrong”**

If this message prints in the Comment section, then an incorrect or blank code has been reported. Enter the correct adjustment in the section provided below, completing Blocks 1 through 16.

**Lease Use (LU-3)** must be filed as a taxable item on the producer report showing yourself as the other party or “Commodity code missing/ wrong” will print in Comment 6.

**Comment 7: “County Number Missing/Wrong”**

An incorrect three digit code has been reported, or a county code has been left blank.

On the adjustment notice, this message will preprint the data reversed out in the “Enter Net Adjustment” column. A blank section will be provided below or on the next page to re-enter the corrected data. Complete all Blocks 1 through 16.

**Comment 8: “Other party Taxpayer Number Missing/Wrong”**

An incorrect taxpayer number has been reported, or the taxpayer number has been left blank. Contact the other party for assistance, or if necessary, call Comptroller’s office.

On the adjustment notice this message will preprint the data reversed out in the “Enter Net Adjustment” column. A blank section will be provided below or on the next page to re-enter the corrected data. Complete all Blocks 1 through 16.

**Comment 9: “Net Taxable Value Noncomputable”**

- For lease types “1” and “2”, Block 12, minus Block 14, minus Block 15, must equal to Block 16.
- For lease types “3”, “4”, “6”, “7”, and “8”, “Exempt Value” and “Marketing Cost” can be reported but Block 16 must be zero (“0”).
- For lease type “5”, Block 16 value must equal Block 12, minus Blocks 14, and 15, times the rate reported in Block 10.
- “Fe-8 (Fee) – If value reported in Block 12A “Amount of fee Due” is not calculated correctly for the volume reported in Block 11A, the message “Net Taxable Value Noncomputable” will be printed. This message is also applicable when an incorrect rate is used.

**Comment 10: “Lease Type is Missing/Wrong”**

“Lease Type” may be a:

- 1 for oil
- 2 for gas
- 3 for two-year inactive well
- 4 for flared and released
- 5 for high-cost gas exemption
- 6 for high-cost gas
- 7 for 3-year inactive well
- 8 for co-production project
- 9 for incremental production

**Only type “2” (gas) can be reported with commodity code CN-4.**

If you report a lease with a tax exemption for a reporting period not shown on the approved application, then the above message will print on the adjustment notice.

This error will cause the data to preprint automatically a data reversal in the “Enter Net Adjustment” column. A blank section will be provided below or on the next page to re-enter the corrected data. Complete all Blocks 1 through 16.

**Comment 11: “Lease Number Missing”**

Block 7 is missing the lease number assigned by the Texas Railroad Commission. The lease number should contain six (6) digits followed by the self-check digit. All five (5) digit oil lease numbers should be preceded by a zero (“0”).

On the adjustment notice this message will preprint the data reversed out in the “Enter Net Adjustment” column. A blank section will be provided below or on the next page for you to re-enter the corrected data. Complete all Blocks 1 through 16.

**Comment 12: “Credit Net Balance”**

A “credit net balance” message means that a credit balance is created in one or more fields. Blocks 14 and 15 are designed to be automatically subtracted. To reverse out an incorrect entry, use the exact commodity, type, county, lease/self check digit and other party number. Otherwise, a credit balance will be created.

If you are unable to locate the correction, you can order a “Data History” from the Comptroller’s office.

**Comment 14: “Tax Due Incorrect”**

For a lease type “5”, if the tax liability in Block 16 does **NOT** equal the result of Block 12, minus Blocks 14 and 15, multiplied by Block 10, then the message “Tax Due Incorrect” will print.

You can correct this by entering the Net Adjustment to correct the Net Taxable Value in Block 16.

**Comment 15: “Value of Volume is Equal to Exempt”**

**Value reported in Block 14 should reflect governmental owned interest only.** Values associated with approved exemptions (i.e. high cost gas leases, 2-year inactive, 3-year inactive, etc.) should **NOT** be reported in the “Exempt Value” field.



## TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

AUSTIN, TEXAS 78774-0100

May 7, 2004

The Perfect Oil & Gas Company  
711 Lucky Street  
Austin, TX 78123

Taxpayer number: 1-23-123456-7

Dear Taxpayer:

Your Natural Gas Purchaser Reports contained invalid secondary taxpayer numbers and/or invalid lease numbers.

The attached list identifies the invalid number(s) reported. For a taxpayer number reported in error, contact the other party to obtain the correct number for that particular filing period. Upon request, our office provides producer/purchaser taxpayer number lists showing name, number, address and effective dates. For a lease number reported in error, verify the lease number with your current P-4 from the Texas Railroad Commission.

An amended report will be required to update our files. This amendment should include one entry to reverse each invalid number reported and one entry to add the corrected number. You should correct your data within thirty (30) days from receipt of this letter.

If you have any questions, please contact the Minerals Area at 1-800-531-5441, extension 3-4485, toll free nationwide. The Austin number is 512/463-4485.

*(From a Telecommunications Device for the Deaf (TDD) ONLY call  
1-800-248-4099 toll free. The Austin number is 512-463-4621.)*



INVALID TAXPAYER NUMBERS AND/OR LEASE NUMBERS

PAGE: 2

TAXPAYER NAME: The Perfect Oil & Gas Company  
 TAXPAYER NUMBER: 1-23-123456-7  
 PROCESS DATE: 04-30-2004

REPORT TYPE	REPORT PERIOD	LEASE NUMBER	COM CODE	SEC TP NUMBER	MESSAGE
OR	0402	2-106-117759-0	RG-1	1-73-1271391-4	Sec tp # not active for period
OR	0402	2-242-104742-6	RG-1	1-75-2181711-8	Invalid sec tp #



**NATURAL GAS REPORTS: EXAMPLE OF ADJUSTMENT NOTICE, PAGE 1 (FORM # 10-213)**



**TEXAS NATURAL GAS ADJUSTMENT NOTICE**

a. T Code  11260

PRODUCER

b.

Do not write in the space above

Page 1 of 2

c. Taxpayer number <b>1-23-4567891-2</b>	d. Last report type <b>ORIGINAL</b>	e. Date of notice <b>03-16-2004</b>	f. Last report DLN <b>04068-97-0140</b>	g. Filing period <b>JANUARY 2004</b>	h. (yy/mm) <b>0401</b>
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i. Taxpayer name and mailing address **2H16**

**The Perfect Oil & Gas Company**  
**711 Lucky Street**  
**Austin, TX 78728**

- CORRECTIONS MUST BE FILED EVEN IF NO TAX IS DUE **97**
- DO NOT WRITE IN SHADED AREAS
- USE DOLLARS AND CENTS WHERE APPLICABLE
- TYPE OR PRINT
- SEE INSTRUCTIONS ON REVERSE SIDE

j.  k.

Comment:	REPORTED ON LAST REPORT	NET REPORTED THIS PERIOD	ENTER NET ADJUSTMENT
<b>OIL FIELD CLEAN-UP REGULATORY FEE</b>			<input type="checkbox"/> 0
9A. ....			
10A. Gross taxable fee volume			
11A. Net taxable fee volume			
12A. Amount of fee due			
13A. ....			<input type="checkbox"/> 0
14A. ....			
15A. ....			
16A. ....			

Comment: LEASE NUMBER MISSING	REPORTED ON LAST REPORT	NET REPORTED THIS PERIOD	ENTER NET ADJUSTMENT
9. Lease operator?...	YES	YES	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
10. Total lease vol./ tax rate.....	5,825	5,825	< 5,825 >
11. Your volume.....	5,825	5,825	< 5,825 >
12. Your value.....	32,745.76	32,745.76	< 32,745.76 >
13. Liable for tax?.....	YES	YES	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
14. Exempt value.....	0.00	0.00	0.00
15. Marketing costs...	3,596.99	3,596.99	< 3,596.99 >
16. Net taxable value/tax due....	29,148.77	29,148.77	< 29,148.77 >

I. T Code <input type="checkbox"/> 11270		ADJUSTMENT SUMMARY AND TAX COMPUTATION	
		CONDENSATE TAXABLE VALUE	GAS TAXABLE VALUE
Totals reported on last report		0.00	1,625,996.02
Totals calculated by the Comptroller		0.00	1,625,996.02
Enter total net detail adjustment		17. <input type="checkbox"/>	18. <b>21,363.75</b>

If TOTALS REPORTED ON LAST REPORT are different from TOTALS CALCULATED BY COMPTROLLER, you must either adjust the detail items you reported to equal the totals you reported OR you must accept the Comptroller's totals.

19. Tax due on condensate (Multiply Item 17 by .046 )	19. <input type="checkbox"/>	
20. Tax due on gas (Multiply Item 18 by .075 )	20. <input type="checkbox"/>	<b>1602.28</b>
21. Regulatory fee due (Multiply Item 11A by .000667 )	21. <input type="checkbox"/>	<b>0.00</b>
22. Tax due on type 5 leases	22. <input type="checkbox"/>	<b>143.08</b>
23. Amount of tax and fee due on gas (Sum of Items 20, 21 and 22)	23. <input type="checkbox"/>	<b>1745.36</b>
24. Total tax and fee due (Item 19 plus Item 23)	24. <input type="checkbox"/>	
25. Enter overpayments (Attach "Natural Gas Transfer of Previous Payment," Form 10-147)	25. <input type="checkbox"/>	
26. Net amount due (Item 24 minus Item 25)	26. <input type="checkbox"/>	
27. Late filing penalty and interest (See instructions)	27. <input type="checkbox"/>	
28. TOTAL AMOUNT DUE AND PAYABLE (Item 26 plus Item 27)	28. <input type="checkbox"/>	<b>1745.36</b>

Make the amount in Item 28 payable to: STATE COMPTROLLER

Mail to:  
**COMPTROLLER OF PUBLIC ACCOUNTS**  
 111 E. 17th Street  
 Austin, Texas 78774-0100

FIELD OFFICE

NO. \_\_\_\_\_

DATE \_\_\_\_\_

E.O. name \_\_\_\_\_ Destn. \_\_\_\_\_

I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief.

sign here *Uma Luna*  
 Taxpayer or duly Authorized Agent

Phone (Area code and no.) **(512) 123-456** Date **4/5/04**

For tax assistance call 1-800-252-1384 toll free nationwide. The Austin number is 512-463-4600.  
 (From a Telecommunication Device for the Deaf (TDD) ONLY call 1-800-248-4099 toll free. The Austin number is 512-463-4621.)



NATURAL GAS REPORTS: EXAMPLE OF ADJUSTMENT NOTICE SUPPLEMENT, PAGE 2 (FORM # 10-214)



TEXAS NATURAL GAS ADJUSTMENT NOTICE - SUPPLEMENT

b. ■

a. T Code ■ 11260 PRODUCER

Do not write in the space above Page 2 of 2

c. Taxpayer number 1-23-4567891-2  
 d. Date of notice 03-16-2004

e. Filing period JANUARY 2004  
 f. (yyymm) 0401  
 1400

g. The Perfect Oil & Gas Company  
 h. Last report type ORIGINAL  
 i. Last report DLN 04068-97-0140

Use dollars and cents where applicable.

Comment: ENTER INFORMATION REQUESTED FROM PRECEDING SECTION	REPORTED ON LAST REPORT	NET REPORTED THIS PERIOD	ENTER NET ADJUSTMENT
1. Lease name <b>BAXTER, Ruby C.</b>	9. Lease Operator?...		<input checked="" type="checkbox"/> YES ■ 1 <input type="checkbox"/> NO ■ 0
2. County of production <b>NAVARRO</b>	10. Total lease vol./ tax rate.....		5825
3. Other party name <b>OFF Lease SALE</b>	11. Your volume.....		5825
4. Commodity <b>RG 1</b>	12. Your value.....		32745.76
5. Type 2 6. County Code 175 7. Lease no./self-check digit 197811 8	13. Liable for tax?...		<input checked="" type="checkbox"/> YES ■ 1 <input type="checkbox"/> NO ■ 0
8. Other party number 4444444444	14. Exempt value.....		3596.99
	15. Marketing costs...		29,148.77
	16. Net taxable value/tax due....		

Comment: NET TAXABLE VALUE NONCOMPUTABLE	REPORTED ON LAST REPORT	NET REPORTED THIS PERIOD	ENTER NET ADJUSTMENT
1. Lease name <b>SANFORD</b>	9. Lease Operator?... YES	YES	<input checked="" type="checkbox"/> YES ■ 1 <input type="checkbox"/> NO ■ 0
2. County of production <b>REFUGIO</b>	10. Total lease vol./ tax rate.....	0	0
3. Other party name <b>J M GREEN CORPORATION</b>	11. Your volume.....	3,375	0
4. Commodity <b>RG 1</b>	12. Your value.....	21,363.75	0
5. Type 2 6. County Code 196 7. Lease no./self-check digit 023771 5	13. Liable for tax?... YES	YES	<input checked="" type="checkbox"/> YES ■ 1 <input type="checkbox"/> NO ■ 0
8. Other party number 1-13-9876543-2	14. Exempt value.....	0.00	
	15. Marketing costs...	0.00	
	16. Net taxable value/tax due....	0.00	21,363.75

Comment: 10 14 SEE BACK	REPORTED ON LAST REPORT	NET REPORTED THIS PERIOD	ENTER NET ADJUSTMENT
1. Lease name <b>South Texas Syndicate li #10</b>	9. Lease operator?... YES	YES	<input checked="" type="checkbox"/> YES ■ 1 <input type="checkbox"/> NO ■ 0
2. County of production <b>REFUGIO</b>	10. Total lease vol./ tax rate.....	.000	.000
3. Other party name <b>OFF LEASE SALE IN STATE</b>	11. Your volume.....	1,341	< 1,341 >
4. Commodity <b>RG 1</b>	12. Your value.....	5,112.68	< 5,112.68 >
5. Type 5 6. County Code 196 7. Lease no. 162416 self-check digit 0	13. Liable for tax?... YES	YES	<input checked="" type="checkbox"/> YES ■ 1 <input type="checkbox"/> NO ■ 0
8. Other party number 4-44444-4444-4	14. Exempt value.....	0.00	0.00
	15. Marketing costs...	2,332.18	< 2,332.18 >
	16. Net taxable value/tax due....	27.81	< 27.81 >

Comment:	REPORTED ON LAST REPORT	NET REPORTED THIS PERIOD	ENTER NET ADJUSTMENT
1. Lease name <b>SOUTH TEXAS SYNDICATE #50</b>	9. Lease Operator?...		<input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0
2. County of production <b>REFUGIO</b>	10. Total lease vol./ tax rate.....		.035
3. Other party name <b>OFF LEASE SALE</b>	11. Your volume.....		1341
4. Commodity <b>RG 1</b>	12. Your value.....		5112.68
5. Type 5 6. County Code 196 7. Lease no./self-check digit 178321 1	13. Liable for tax?...		<input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0
8. Other party number 4444444444	14. Exempt value.....		0.00
	15. Marketing costs...		230.00
	16. Net taxable value/tax due....		170.89



# NATURAL GAS REPORTS: EXAMPLE OF ADJUSTMENT NOTICE INSTRUCTIONS (FORM # 10-213 BACK)

10-213 (Back)(Rev.12-97/10)

## ADJUSTMENT NOTICE INSTRUCTIONS

This Texas Natural Gas Adjustment Notice was generated when you filed an original, voluntary amended or returned adjustment notice report. You will need to correct one or more of the following conditions:

- A. One or more line items were incomplete or inaccurate and will print a comment(s). See the "Comment" section for an explanation.
- B. The totals on your report, Items 17 and/or 18, **DID NOT BALANCE** with the totals calculated by the Comptroller. In this case, each item reported will print on the notice.

In each of the above cases, you should correct **ONLY** the items with "comments" noted and make corrections needed to balance the totals.

**DO NOT USE REPLACEMENT DATA.** To correct previously reported data, enter the net adjustment. For example: if you reported "Your volume," Item 11, as 15,000 MCF and the actual figure should be 150, then your net adjustment should be [14,850].

Brackets should only be used to decrease a volume or value.

## THE ADJUSTMENT NOTICE FORMAT

Any time an invalid commodity code, lease type, county code, lease no./self-check digit tax rate or other party number is reported, our system will automatically preprint the reversing entry in the net adjustment column. However, the data will not be reversed until you return the notice and it is entered to the Comptroller's system. There is a blank section located below the reversing entry for you to file your correction. You must complete Items 1-16 to avoid additional reporting problems.

**COMMENT:** The Comment block will give the reason(s) that an adjustment is required. Below is an explanation of the comments that may appear.

**COMMENT 1:** "DATA ITEM INCOMPLETE" - One or more data fields, Items 4-16, were omitted from this item.

**COMMENT 2:** "VALUE OF YOUR VOLUME IS UNREASONABLE" - Condensate - Your value should approximate your barrels multiplied by the posted price for crude oil.  
Gas - Your value should approximate your MCF multiplied by the contracted price per MCF.  
Products - Actual value received. The well-head volume or inlet volume should be used.

**COMMENT 3:** "YOUR VOLUME EXCEEDS TOTAL LEASE VOLUME" - If you are the lease operator, check "YES" in Item 9; your volume may equal but not exceed the total lease volume. If you are not the operator, check "NO" in Item 9; total lease volume should be zero. "FE-8 (FEE)" - The net taxable fee volume may not exceed the gross taxable fee volume.

**COMMENT 4:** "TAX LIABILITY BLOCK INCORRECT" - If you are liable for tax per your contract, check "YES" in Item 13; then Item 12, "Your value" less Items 14 and 15, "Exempt value" and "Marketing costs," should equal Item 16, "Net taxable value." For lease type 3, 4, 5, 6, 7, 8, and 9, if you are liable for the tax per your contract, check "yes" and report "exempt value" and "marketing costs" associated with the lease. For lease type 3, 4, 6, 7, and 8, report zero for "Net taxable value." For lease type 5, report tax due. For lease type 9, report 50% of the taxable value. If you are not liable for tax per your contract, check "NO" in Item 13; then Items 14, 15 and 16 should always be zero.

**COMMENT 5:** "LEASE NUMBER WRONG" - Item 7, "Lease no./self-check digit," is incorrect. (Enter adjustment in next section. Complete Items 1-16.)

**COMMENT 6:** "COMMODITY CODE MISSING/WRONG" - You have filed an incorrect or blank code. (Enter adjustment in next section. Complete Items 1-16.)  
Lease Use (LU-3) must be filed as a taxable item on the producer report showing yourself as the other party.

**COMMENT 7:** "COUNTY NUMBER MISSING/WRONG" - You have filed an incorrect three-digit code or omitted the code. (Enter adjustment in next section. Complete Items 1-16.)

**COMMENT 8:** "OTHER PARTY TAXPAYER NUMBER MISSING/WRONG" - You have filed an incorrect number or omitted the number. Contact the other party or, if necessary, call our office for assistance. (Enter adjustment in next section. Complete Items 1-16.)

**COMMENT 9:** "NET TAXABLE VALUE NONCOMPUTABLE"  
For Lease Types 1 and 2, (Item 12 minus Item 14 minus Item 15) must equal Item 16.  
For Lease Types 3, 4, 6, 7, and 8, report "exempt value" and "marketing costs." Item 16 should be zero.  
For Lease Type 5, Item 16 must equal (Item 12 minus Item 14 minus Item 15) X Item 10.  
For Lease Type 9, item 16 must equal (Item 12 minus Item 14 minus Item 15) X 50%.  
"Net taxable value" can never be less than zero.

**COMMENT 10:** "LEASE TYPE IS MISSING/WRONG" - Lease type may be 1 (oil), 2 (gas), 3 (two-year inactive well), 4 (previously flared/released), 5 (high-cost gas extension), 6 (high-cost gas), 7 (3-year inactive well), 8 (co-production project), or 9 (incremental). Only type 2 (gas) can be reported with commodity code CN-4. (Enter adjustment in next section. Complete Items 1-16.)

**COMMENT 11:** "LEASE NUMBER MISSING" - Item 7 is missing the lease number assigned by the Texas Railroad Commission. The lease number should contain six (6) digits followed by the self-checking digit. All five-digit (5) oil lease numbers should be preceded by a zero (0). (Enter adjustment in next section completing Items 1-16.)

**COMMENT 12:** "CREDIT NET BALANCE" - You have created a credit balance in one or more fields. Items 14 and 15 are designed in our system to be automatically subtracted. To reverse out an incorrect entry, you should use the exact commodity, type, county, lease/self-check digit and other party number; otherwise, you can create a credit balance.

**COMMENT 14:** "TAX DUE INCORRECT" - If liable for tax, Item 16 must equal the result of Item 12 minus Item 14 and 15 multiplied by Item 10. [(Item 12 - Item 14 - Item 15) X Item 10].

**COMMENT 15:** "VALUE OF VOLUME IS EQUAL TO EXEMPT" - Values reported in Item 14 should reflect governmental owned interest only. Values associated with approved exemptions (i.e. High Cost Gas, 2-year inactive, 3-year inactive etc.) should not be reported in the "Exempt Value" field.

**REPORTED ON LAST REPORT:** The figures printed in this column are the volume and/or value figures you reported on the last report you filed for this period, original or amended.

**NET REPORTED THIS PERIOD:** The figures printed in this column are the net volume and/or value figures you reported on all reports filed for this period, original or amended.

**SPECIFIC INSTRUCTIONS DO NOT USE DECIMALS IN VOLUME FIELDS.** In Items 10 and 11 the volumes reported for MCF and barrels should be whole figures.

**ALL VALUES IN ITEMS 12, 14, 15 AND 16** should include dollars and cents. Whole figures should have a decimal followed by two zeros.

**FE-8 OIL FIELD CLEAN-UP REGULATORY FEE** This fee must be calculated on all lease types 1 (oil), 2 (gas), 3 (two-year inactive), 4 (previously flared/released), and 7 (three-year inactive) if you are liable for the tax. The fee is NOT due on lease types 5 (high-cost gas extension), 6 (high-cost gas), 8 (co-production), and 9 (incremental).

**Item 9 and Item 10** - If you are the lease operator, check "YES" in Item 9. The "Total lease volume," Item 10, should reflect 100% of the MCF or barrels produced or available for sale or use. If you are not the lease operator, check "NO" and Item 10 should be zero.

**Item 13** - If you are liable for tax, check "YES." This only indicates you are liable for the tax on this lease. Tax due or credit is calculated on the sum of Item 16, "Net taxable value."

**Items 17 and 18** should be the total net adjustment or the sum of all of the "Net taxable values," Item 16, for condensate and gas reflected on this report only.

**Item 26 - PENALTY:** If 1-30 days late, enter 5% of Item 25. If more than 30 days late, enter 10% of Item 25.

**INTEREST:** If any tax due is unpaid 61 days after the due date, enter 10% penalty PLUS interest calculated at the rate of 12% per annum on Item 25.

**TOTALS REPORTED ON LAST REPORT** - This is the combined total you reported for all items listed on your last report filed for this period. These figures are listed to help you identify which report created this adjustment notice.

**TOTALS CALCULATED BY THE COMPTROLLER** - This is the combined total calculated by the Comptroller of all detail items you reported on your last report filed for this period.



### Unassigned Lease Identification Numbers by Railroad Commission

Whenever a taxpayer needs to report volumes and values on a lease that the Railroad Commission has *not* yet assigned a lease identification number, a taxpayer can use the Railroad Commission assigned drilling permit number for a specific lease to report to the Comptroller's office.

The advantage of using the drilling permit number to form the Comptroller's office lease identification number is to report the volumes and values on the lease and be able to amend the volumes and values accordingly until the time that the Railroad Commission has assigned a true lease identification number. Once the Railroad Commission has assigned a lease identification number, then the taxpayer will need to file a natural gas tax amendment changing the volumes and values from the drilling permit number to the correct lease identification number.

However, using the drilling permit number on the Comptroller's office natural gas tax reports will generate an invalid lease letter to the taxpayer because the drilling permit number is not in the Comptroller's lease file.

An example of an invalid lease number letter to a taxpayer is on page 28. The invalid lease letter is just a reminder of what reporting periods need amending. The drilling permit numbers can be reported on original and amended reports and on adjustment notice forms.

To build the Comptroller's lease identification number, the following will need to be identified on a report:

- Block 5: Lease type: "1" for oil lease or "2" for gas lease.
- Block 6: County code of the lease
- Block 7: (Six-digit) drilling permit number assigned by the Railroad Commission
- Check Digit: To determine if a check digit is valid, a taxpayer can call the Natural Gas Tax Section to verify the number.

5. Type	6. County Code	7. Lease no./self-check digit
2	235	516416   8

Note: When ordering a consolidated adjustment notice on a filing period, the volumes and values reported with a drilling permit number will print if more than one error are identified on the lease as shown below:

Comment: 5 6		REPORTED ON LAST REPORT	NET REPORTED THIS PERIOD	ENTER NET ADJUSTMENT
SEE BACK 03064210172		NO	NO	<input type="checkbox"/> YES 1 <input checked="" type="checkbox"/> NO 0
1. Lease name		539	539	< 539 >
2. County of production	VICTORIA	539	539	< 539 >
3. Other party name	DOUGLAS	2,384.81	2,384.81	< 2,384.81 >
4. Commodity	LU 3	YES	YES	<input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0
5. Type	6. County Code	0.00	0.00	0.00
7. Lease no./self-check digit	8	0.00	0.00	0.00
8. Other party number	1-75-2858797-9	2,384.81	2,384.81	< 2,384.81 >

Comment: ENTER INFORMATION REQUESTED FROM PRECEDING SECTION		REPORTED ON LAST REPORT	NET REPORTED THIS PERIOD	ENTER NET ADJUSTMENT
1. Lease name				<input type="checkbox"/> YES 1 <input checked="" type="checkbox"/> NO 0
MARIA GAS UNIT #1				539
2. County of production				539
3. Other party name				2384.81
RODRIGUEZ OPERATING Co.				<input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0
4. Commodity				
LU 3				
5. Type	6. County Code			
7. Lease no./self-check digit	8			
8. Other party number	14832100001			2384.81

In the example above, the lease number assignment is still pending with the Railroad Commission. However the secondary taxpayer number is incorrect. On the next space of the adjustment notice, the volumes and values are re-entered with the drilling permit number, but the correction is made to the correct secondary number for the Lease Use commodity.

If Railroad Commission has assigned the lease number, then the adjustment notice or the amended report form can be filed to make the correction from the drilling permit number to the newly assigned Railroad Commission lease number.



**NATURAL GAS  
TAXPAYER ACCOUNT  
PAPER HISTORY**





# PAPER HISTORY OF NATURAL GAS TAXPAYER'S ACCOUNT

A paper history of the natural gas taxpayer's account can be ordered upon request. The history consists of all report data filed, payment information, and outstanding balances for each reporting period filed by a taxpayer. A history is a very important tool. It assists in the reconciliation process, in filing corrections for the monthly and amended reports, and adjustment notices. A history may be ordered by different parts or a combination of the parts listed below.

The following parts of the natural gas tax account history are printed by order of reporting periods:

## Part 1. Summary Record

Lists the taxpayer name, number and address.

## Part 2. Detailed Lease Data (Separated by Producer or Purchaser)

Normally Called "Data Records."

Lists the lease data by county number order, followed by Railroad Commission lease number order reported by the taxpayer. The data indicates volumes and values reported for each lease.

## Part 3. Report Totals (Separated by Producer or Purchaser)

Normally Called "Totals Record."

Individually lists the totals of all the reports filed.

The totals are separated by:

- **"Reported Total"** as indicated on the taxpayer's report and
- **"Calculated Total"** which is the grand total the Comptroller's computer system calculated.

If the **"Reported Total"** and **"Calculated Total"** are not equal, then an adjustment notice is generated by the Comptroller's office. Depending on the type of correction needed, the adjustment notice will either be corrected by the Comptroller's office or returned to the taxpayer for correction.

## Part 4. Payment Record for a Specific Reporting Period

Lists:

- payments received;
- transfer-in(s) and transfer-out(s) filed;
- refund amounts submitted to taxpayer;
- Net Total of payments and transfers received; and
- Credit interest earned and/or paid.

## Part 5. Outstanding Balances, or "Collection Record" for a Specific Reporting Period

Lists:

- dates of all notices issued to the taxpayer;
- outstanding balances, for example:
  - liability amounts for tax, penalty, and interest or
  - credit balances;
- payments received;
- transfer-in(s) and transfer-out(s) filed;
- refund amounts submitted to taxpayer;
- Net Total of payments and transfers received for the reporting period; and
- Credit interest earned and/or paid.

## Part 6. Purged Data

The Comptroller's office computer system is designed to purge computer data that is past the four-year statute of limitation. This usually occurs when the reporting period has no activity. A taxpayer can order a "Purged History" of any reporting period that has been purged.

Part 1: Summary Record — Example of First Page of History

DESTINATION CODE: 1341  
 TAXPAYER NUMBER: 1-13-5409005-9  
 NAME: The Perfect Oil & Gas Company  
 MAILING ADDRESS: 123 Lucky Street  
 Austin, Texas 12345  
 PHONE NUMBER:  
 SUMMARY RECORD:  
 PURCHASER: FILING STATUS: MONTHLY FILING STATUS YR/MO: 7404 PUR FIRST YR/MO: 7404 LAST RETURN REC'D: 0310 SEND  
 NUM OF DELINQUENTS: 0 ORIG TAPE FILER: YES AMENDED TAPE FILER: NO DETAIL: NO  
 PRODUCER: FILING STATUS: MONTHLY FILING STATUS YR/MO: 7404 PRO FIRST YR/MO: 7404 LAST RETURN REC'D: 0310 SEND  
 NUM OF DELINQUENTS: 0 PRO ACTIVE SEVERANCES: 0 ORIG TAPE FILER: YES AMENDED TAPE FILER: NO DETAIL: NO  
 FILER HISTORY:  
 PURCHASER PRODUCER  
 FILING STATUS BEGINNING ENDING FILING STATUS BEGINNING ENDING  
 MONTHLY 7404 MONTHLY 7404  
 AUDIT OFFICE NUMBER: 2130 AUDIT STATUS DATE: 07-01-95 AUDIT ENDING YR/MO: 9312  
 OPEN CREDIT COLL RCDS: 2 OPEN NONCOMPLIBLE RCDS: 11 OPEN LIABILITY RCDS: 0  
 MANAGEMENT HOLD STATUS: NOT IN MANAGEMENT HOLD OUTPUT HOLD DEST: 0  
 OUTPUT HOLD STATUS: NOT IN OUTPUT HOLD DEST: 0  
 BANKRUPTCY STATUS: NOT IN BANKRUPTCY BANKRUPTCY TYPE: 0  
 BANKRUPTCY CONCLUDE DATE: BANKRUPTCY STATUS DATE: 00.00  
 \*\*\*\*\*

PAGE: 1  
 DATE: 01-09-04

A: { NATURAL GAS TAXPAYER HISTORY FROM 0212 TO 0212  
 DATA, TOTL, PMTS, COLL

COUNTY OR STATE CODE: 101 FIELD OFFICE NUMBER: 2H36 AUDIT OFFICE NUMBER: 2130

\*\*\*\*\* NO SECONDARY ADDRESS \*\*\*\*\*

B: {

C: {

D: {

**A:** The tax type, beginning and ending reporting periods, the specific parts of the history ordered are indicated in this portion. One or any combination of the different portions can be ordered which consists of lease data, report totals, payment records, and collection records.

**B:** The taxpayer name, and address are listed in this portion.

**C:** The filing status of the taxpayer (i.e. monthly or year), beginning and ending production periods, and if the taxpayer is a producer and/or purchaser are indicated in this portion.

**D:** The audit and collection information are indicated in this portion.

**Part 2: Detail Lease Data or Data Records**

The detail lease data is separated by the producer and purchaser categories. This portion of the history lists the lease data by county number order, followed by Railroad Commission lease number, then secondary taxpayer number order. The lease data indicates volumes and values reported for each lease and whether the tax was reported as paid, or not, by the taxpayer.

There are two lines in the column headings, as shown in the example below.

0212 DATA RECORDS FOR PURCHASER - MONTHLY							
RPT-TYPE LS/SC CHG	LEASE NUMBER LEASE VOLUME	COMMODITY YOUR VOLUME	SEC TP NUMBER YOUR VALUE	DATCMB/INVTP# EXEMPT VALUE	LEASE OPERATOR MARKETING COSTS	TAX DUE NET TAXABLE VALUE	DLN ADJUSTMENT NOT

The first line of the column heading indicates the following:

**RPT-TYPE** (Report Type): There are five different types of reports filed:

- OR:** Original Report means the first report filed for the reporting period.
- VA:** Amended Report
- AJ:** Adjustment Notice
- RA:** Returned adjustment notice that was sent to the taxpayer for correction and then returned for processing.
- IH:** "In-House" adjustment made by a tax examiner.

**LEASE NUMBER:** The lease number for the Comptroller's office consists of the lease type, county code, six-digit Railroad Commission number, and check digit.

**COMMODITY:** There are six commodities that are identified as follows:

- RG:** Raw Gas                      **CN:** Condensate
- IK:** In Kind                        **RS:** Residue
- LU:** Lease Use                    **PR:** Products

**SEC TP NUMBER** (Secondary Taxpayer Number): This is the purchaser taxpayer number for the lease on the producer's report, or the producer taxpayer number for the lease on the purchaser's report.

**DATCMB/INVTP#:**

- **"DATCMB"** means the lease data was combined because identical primary information was reported on the return more than once. This occurs regardless if the taxpayer reported "yes" or "no" as being liable for the tax in Block 13 of the report. The primary information consists of identical commodity, lease number, and secondary taxpayer number. If the lease data was not combined, then a "N" meaning "no" and a "Y" meaning "yes" are indicated under the column heading.
- **"INVTP#"** means that when the lease data was combined, the secondary taxpayer number was invalid. If the secondary taxpayer number is invalid, then a "Y" meaning "yes" and a "N" meaning "no" are indicated under the column heading.

**LEASE OPERATOR:** Are you the lease operator? The letters "Y" means yes and "N" means no are indicated in the column.

**TAX DUE:** Are you liable for the tax? The letters "Y" means yes and "N" means no are indicated in the column.

**DLN:** Document locator number is a unique number that is assigned to every report filed.

*Example:* DLN: 03031-97-0070

- The first two digits indicate the year the report was filed.
- The third, fourth, and fifth digits indicate the Julian date the report was filed.
- The sixth and seventh digits indicate the media type, (for example, paper, or electronic).

The following are the different type of reports that process:

- 00-44 – Original report sent on paper.
- 45 – Represents a report that had to be reprocessed because of reporting errors. The computer system could not accept the data that was originally entered.
- 72 – The tax examiner manually entered a correction on the data.
- 97 – Represents that the report was filed electronically (EDI).
- 99 – Represents that the report was filed on magnetic tape.

- The last four digits are microfilm sequence numbers. All matching DLN numbers mean that the items were on the same report.

**Part 2: Detail Lease Data or Data Records (continued)**

0212 DATA RECORDS FOR PURCHASER - MONTHLY							
RPT-TYPE LS/SC CHG	LEASE NUMBER LEASE VOLUME	COMMODITY YOUR VOLUME	SEC TP NUMBER YOUR VALUE	DATCMB/INVTP# EXEMPT VALUE	LEASE OPERATOR MARKETING COSTS	TAX DUE NET TAXABLE VALUE	DLN ADJUSTMENT NOT

The second line of the column heading shown above indicates the following:

**LS/SC CHG:** This indicates if the lease number or secondary taxpayer number has been changed. If there is a lease number or secondary taxpayer number change on a lease as a result of an original report filed, then a "NC" meaning "number change" is indicated under the column heading. If there is no lease number or secondary taxpayer number change, then there will be no notation under the column heading.

**LEASE VOLUME:** The total lease volume reported in Block 10 of a report.

**YOUR VOLUME:** The volume reported in Block 11 of a report.

**YOUR VALUE:** The value of your volume reported in Block 12 of a report.

**EXEMPT VALUE:** The exempt value reported in Block 14 of a report.

**MARKETING COSTS:** The marketing costs reported in Block 15 of a report.

**NET TAXABLE VALUE:** The net taxable value reported in Block 16 of a report.

**ADJUSTMENT NOT:** The adjustment notice error message on a lease will be indicated under this column.

Part 2: Example of "Data records" or Detailed Lease Data

NATURAL GAS TAXPAYER HISTORY FROM 0212 TO 0212									
DATA, TOTS, PMTS, COLL									
NAME: The Perfect Oil & Gas Company									
0212 DATA RECORDS FOR PRODUCER - MONTHLY									
RPT-TYPE	LEASE NUMBER	COMMODITY	SEC TP NUMBER	DATCHB/INVT#	LEASE OPERATOR	NET TAXABLE VALUE	TAX DUE	DLN	ADJUSTMENT NOT
LS/SC CHG	LEASE VOLUME	YOUR VOLUME	YOUR VALUE	EXEMPT VALUE	MARKETING COSTS		VALUE		
VA	2-240-141060-0	RG	1-13-5409005-9	N/N	N	Y	19,819.13	03084-99-0108	GR VAL UNREASN
VA	2-240-141060-0	RG	1-13-5409005-9	Y/N	N	Y	0.00	03218-97-0104	GR VAL UNREASN
SUBTOTAL:							19,819.13		
VA	2-240-141060-0	RG	1-76-0508708-3	N/N	N	Y	81,646.50	03084-99-0108	
VA	2-240-144566-3	RG	1-13-5409005-9	N/N	N	Y	5,080.74	03084-99-0108	GR VAL UNREASN
VA	2-240-144566-3	RG	1-13-5409005-9	Y/N	N	Y	0.00	03218-97-0104	GR VAL UNREASN
SUBTOTAL:							5,080.74		
VA	2-240-144566-3	RG	1-76-0508708-3	N/N	N	Y	20,765.67	03084-99-0108	
VA	2-240-144574-7	RG	1-13-5409005-9	N/N	N	Y	368.20	03266-97-0092	GR VAL UNREASN
IH	2-240-144574-7	RG	1-13-5409005-9	N/N	N	Y	0.00	03347-72-0109	GR VAL UNREASN
SUBTOTAL:							368.20		
VA	2-240-144574-7	RG	1-76-0508708-3	N/N	N	Y	1,503.10	03266-97-0092	
OR	3-240-146869-7	RG	1-76-0508708-3	N/N	Y	Y	0.00	03059-99-0001	
VA	2-240-161287-4	RG	1-13-5409005-9	N/N	N	Y	6,873.84	03084-99-0108	GR VAL UNREASN
VA	2-240-161287-4	RG	1-13-5409005-9	Y/N	N	Y	0.00	03218-97-0104	GR VAL UNREASN
SUBTOTAL:							6,873.84		
VA	2-240-161287-4	RG	1-76-0508708-3	N/N	N	Y	28,091.93	03084-99-0108	
VA	2-240-163683-2	RG	1-13-5409005-9	N/N	N	Y	1,063.44	03084-99-0108	GR VAL UNREASN
VA	2-240-163683-2	RG	1-13-5409005-9	Y/N	N	Y	0.00	03218-97-0104	GR VAL UNREASN
SUBTOTAL:							29,155.37		

**Part 3: Totals Record**

The “totals record” portion of the natural gas tax history is the most important tool for the reconciliation process. This involves balancing the payments and transfer of payments against the tax reports filed.

0212 TOTALS RECORD FOR PURCHASER						
CN VAL	GAS VAL	CN TAX	GAS TAX & FEE	TOTAL AMT DUE	ADJ/FLG	FEE VOL

The column headings for the “total records” portion are as follows:

**CN VALUE:** The total value of condensate.

**GAS VAL:** The total gas value of all commodities for raw gas, in-kind, lease use, residue, and products.

**CN TAX:** The total of condensate tax (4.6%) as indicated in Block 19.

**GAS TAX & FEE:** The total of gas tax (7.5%), total tax on all Type 5 leases, and regulatory clean-up fee as indicated in Block 23 of a report.

**TOTAL AMT DUE:** The condensate and gas tax due and payable.

**ADJ/FLG** (Adjustment Notice/Flag): This designates if a report created an adjustment notice and/or was flagged because it was also out of balance. The codes under this heading are as follows:

**B DAT** (Bad Data): This means “bad data” was reported and the report created an adjustment notice.

**B TOT** (Bad Totals): This means that the “reported totals” indicated on the taxpayer’s report did not agree with the Comptroller’s “calculated totals”.

**B D/T** (Bad Data and Total): This means that the report is in adjustment notice status because of “bad data” and the report contains out of balance totals.

**U:** This means the totals have been “unflagged” by a tax examiner. The examiner has found what caused the report to be out of balance. However, if the report also had “bad data”, unflagging the totals of a report will not release the report from being in adjustment notice status.

**FEE VOLUME:** The fee volume reported on Block 11A of a report.



Part 3: Totals Detail

0301 TOTALS RECORD FOR PRODUCER							
	CN VAL	GAS VAL	CN TAX	GAS TAX & FEE	TOTAL AMT DUE	ADJ/FLG	FEE VOL
PROC DATE	03-27-2003 OR	03077-97-0132					
TYPE 5:				61,777.55			
RPT:	0.00	15,983,713.20	0.00	1,201,162.88	1,201,162.88	B TOT	
CAL:	0.00	15,983,713.20	0.00	1,262,940.43	1,262,940.43	U	3,574,798
PROC DATE	03-27-2003 VA	03076-97-0044					
TYPE 5:				0.00			
RPT:	94,672.92	356,763.39	4,354.95	26,817.02	31,171.97	B DAT	
CAL:	94,672.92	356,763.39	4,354.95	26,817.02	31,171.97	U	89,617
PROC DATE	08-01-2003 VA	03210-97-0029					
TYPE 5:				0.00			
RPT:	0.00	289,886.78-	0.00	21,788.52-	21,788.52-		
CAL:	0.00	289,886.78-	0.00	21,788.52-	21,788.52-		70,476
PROC DATE	09-19-2003 VA	03261-97-0266					
TYPE 5:				0.00			
RPT:	0.00	85,698.71-	0.00	6,442.65-	6,442.65-		
CAL:	0.00	85,698.71-	0.00	6,442.65-	6,442.65-		22,868
PROC DATE	10-20-2003 VA	03289-97-0174					
TYPE 5:				4,792.64			
RPT:	0.00	69,101.95	0.00	9,975.29	9,975.29		
CAL:	0.00	69,101.95	0.00	9,975.29	9,975.29		000
PROC DATE	11-07-2003 VA	03311-97-0014					
TYPE 5:				0.00			
RPT:	0.00	22,487.35-	0.00	1,690.29-	1,690.29-		
CAL:	0.00	22,487.35-	0.00	1,690.29-	1,690.29-		5,605
TOTALS	TYPE 5:			66,570.19			
RPT:	94,672.92	16,011,505.89	4,354.95	1,208,033.75	1,212,388.70		
CAL:	94,672.92	16,011,505.90	4,354.95	1,269,811.31	1,274,166.26		3,565,484

**PROCESS DATE:** Date report processed to the computer system.

There are five different types of reports filed. The following types of report codes are indicated after the processing date:

- OR:** Original Report means the first report filed for the reporting period.
- VA:** Amended Report
- AJ:** Adjustment Notice
- RA:** Returned adjustment notice that was sent to the taxpayer for correction and then returned for processing.
- IH:** "In-House" adjustment made by a tax examiner.

**DLN:** Document locator number is a unique number that is assigned to every report filed.

*Example:* DLN: 03077-97-0132

- The first two digits indicate the year the report was filed.
- The third, fourth, and fifth digits indicate the Julian date the report was filed.
- The sixth and seventh digits indicate the media type, (for example, paper, or electronic).

The following are the different type of reports that process:

- 00-44 – Original report sent on paper.
- 45 – Represents a report that had to be reprocessed because of reporting errors. The computer system could not accept the data that was originally entered.
- 72 – The tax examiner manually entered a correction on the data.
- 97 – Represents that the report was filed electronically (EDI).
- 99 – Represents that the report was filed on magnetic tape.

- The last four digits are microfilm sequence numbers. All matching DLN numbers mean that the items were on the same report.

**TYPE 5:** The cumulative tax totals for all the Type 5 leases.

**RPT:** The report totals reported by the taxpayer that are indicated in Block 23 of the report.

**CAL:** The report totals calculated by the Comptroller's computer system for Block 23 of the report.

**TOTALS:** The cumulative "reported" and "calculated" totals of all the reports filed for the specific reporting period.

Part 4: Example of Payment Record

TCODE	B PAYMENT TYPE	AMOUNT	PM/VOU DT	CORR PM	PROC DT	DLN	OLD DLN	PROMPTED DLN YOU/WAR NO	PER	TX TYP	A: { PAYMENT RECORD FOR PERIOD 0205 DUE DATE IS: 07-22-02	
11026	RET REG TRNS IN	\$4,065.37	03-22-99	NO	09-20-02	02263-67-0255	99081-62-3132	02260-18-0050	9901			
11026	RET REG TRNS IN	\$818.18	07-20-01	NO	08-17-02	02229-67-0199	01201-62-4303	02224-14-0618	0105			
11026	RET REG TRNS IN	\$878.25	08-14-01	NO	08-17-02	02229-67-0200	01226-62-0232	02224-14-0618	0106			
11026	RET REG TRNS IN	\$7,435.76	12-05-01	NO	08-17-02	02229-67-0205	01339-62-0049	02224-14-0618	0109			
11026	RET REG TRNS IN	\$345.58	01-18-02	NO	08-17-02	02229-67-0207	02018-62-1747	02224-14-0618	0111			
11026	RET REG TRNS IN	\$347.35	01-18-02	NO	09-20-02	02263-67-0254	02039-67-0499	02260-18-0050	9807			
11026	RET REG TRNS IN	\$244.87	02-15-02	NO	08-17-02	02229-67-0209	02050-62-1323	02224-14-0618	0112			
11026	RET REG TRNS IN	\$599.98	03-15-02	NO	08-17-02	02229-67-0217	02074-62-0531	02224-14-0618	0201			
11026	RET REG TRNS IN	\$671.08	03-22-02	NO	08-17-02	02229-67-0211	02081-77-0358	02224-14-0618	0201			
11026	RET REG TRNS IN	\$1,073.86	03-22-02	NO	08-17-02	02229-67-0212	02081-77-0356	02224-14-0618	0201			
11026	RET REG TRNS IN	\$763.19	03-22-02	NO	08-17-02	02229-67-0213	02081-77-0354	02224-14-0618	0201			
11026	RET REG TRNS IN	\$784.31	03-22-02	NO	08-17-02	02229-67-0214	02081-77-0352	02224-14-0618	0201			
11026	RET REG TRNS IN	\$759.80	03-22-02	NO	08-17-02	02229-67-0215	02081-77-0350	02224-14-0618	0201			
11026	RET REG TRNS IN	\$492.82	03-22-02	NO	08-17-02	02229-67-0216	02081-77-0348	02224-14-0618	0201			
11026	RET REG TRNS IN	\$37.69	05-10-02	NO	08-17-02	02229-67-0204	02130-77-0437	02224-14-0618	0109			
11026	RET REG TRNS IN	\$4.86	05-17-02	NO	08-17-02	02229-67-0202	02137-77-0231	02224-14-0618	0109			
11026	RET REG TRNS IN	\$37.69	05-17-02	NO	08-17-02	02229-67-0203	02137-77-0229	02224-14-0618	0109			
11020	RET ORIG PMT	\$193,489.49	07-18-02	NO	07-19-02	02199-62-0918						
11023	RET TR OUT	\$2,756.20	07-18-02	NO	03-07-03	03066-67-0538	02199-62-0918	03064-21-3732	0301			
11410	RFD ORIG PMT	\$1,939.15	01-09-04	NO	01-09-04	04005-72-0100		E040091				
11410	RFD ORIG PMT	\$135.33	01-09-04	NO	01-09-04	04005-72-0100		E040091				
	SUB-TOTAL	\$188,658.81										
11028	RET FUND TR IN	\$47.53	08-17-02	NO	08-17-02	02229-77-0201	01226-62-0232					
11023	RET TR OUT	\$47.53	08-17-02	NO	03-07-03	03066-67-0537	02229-77-0201	03064-21-3732	0301		00	
	SUB-TOTAL	\$0.00										
11028	RET FUND TR IN	\$197.96	08-17-02	NO	08-17-02	02229-77-0206	01339-62-0049					
11023	RET TR OUT	\$197.96	08-17-02	NO	03-07-03	03066-67-0536	02229-77-0206	03064-21-3732	0301		00	
	SUB-TOTAL	\$0.00										
11028	RET FUND TR IN	\$6.47	08-17-02	NO	08-17-02	02229-77-0208	02018-62-1747					
11023	RET TR OUT	\$6.47	08-17-02	NO	03-07-03	03066-67-0535	02229-77-0208	03064-21-3732	0301		00	
	SUB-TOTAL	\$0.00										
11028	RET FUND TR IN	\$3.51	08-17-02	NO	08-17-02	02229-77-0210	02050-62-1323					
11023	RET TR OUT	\$3.51	08-17-02	NO	03-07-03	03066-67-0534	02229-77-0210	03064-21-3732	0301		00	
	SUB-TOTAL	\$0.00										
11028	RET FUND TR IN	\$5.95	08-17-02	NO	08-17-02	02229-77-0218	02074-62-0531					
11023	RET TR OUT	\$5.95	08-17-02	NO	03-07-03	03066-67-0533	02229-77-0218	03064-21-3732	0301		00	
	SUB-TOTAL	\$0.00										
	TOTAL	\$208,019.45										

\*\*\*\*\*



**Part 4: Payment Record**

**A:** The heading of the “Payment Record” portion of the history indicates the due date of the reporting period requested. Any Payment or transfer-in that has an earlier postmark from the due date of the reporting period is considered timely money.

**Descriptions of Column Headings:**

**TCODE:** This is the transaction code, or internal computer

**B:** system code, associated with the payment type. The “Tcode” is a five-digit number. The first two digits designate the tax type. The “11” is the code for natural as tax.

**PAYMENT TYPE**

**C:** **RET ORIG PMT** designates the initial payment received and directly applied to the reporting period. The payment may be submitted electronically or it can be submitted as a paper check.

**RET REG TRNS IN** designates a payment transferred into this reporting period from another reporting period.

**RET REG TRNS OUT** designates a payment transferred out of this reporting period to another reporting period.

**RET FUND TR IN** is money that is transferred in from another tax type to natural gas tax for this reporting period.

**RET FUND TR OUT** is money that is transferred out from this reporting period in the natural gas tax account to another tax type.

**RFD ORIG PMT** means that the taxpayer requested a refund of an overpayment for the amount indicated. A second “RFD ORIG PMT” line shows credit interest paid based on the amount refunded.

**AMOUNT:** This column indicates the payment, transfer-in, transfer-out, refund issued, credit interest refunded, credit interest transferred-in, and credit interest transferred-out amounts. Money that is transferred out will be shown immediately under a payment or transfer-in. A sub-total is shown under a payment or transfer whenever a transfer-out(s) or refund has occurred.

**PM/VOU DT:** This is the postmark or voucher (check) date. All transfer-in(s) carry the postmark of the original payment amount. The voucher date is the date of the refund check.

**CORR PM:** This indicates whether a postmark date has been waived or corrected.

**PROC DT:** This is the date that the transaction processed on the Comptroller’s computer system.

**DLN:** Document locator number is a unique number that is assigned to every payment, transfer-in and transfer-out that processed.

*Example:* DLN: 03050-62-1368

- The first two digits indicate the year the report was filed.
- The third, fourth, and fifth digits indicate the Julian date the report was filed.
- The sixth and seventh digits indicate the type of method the transaction was submitted, commonly referred to as “roll numbers”.

The following are the different types of “roll numbers” for payments and transfers:

00-34 are paper documents manually entered by an entry operator.

62-64 are electronic bank payments.

67-68 are transfers filed on *Transfer of Previous Payment* (Form #10-147).

**OLD DLN:** Refer to the original payment DLN number.

**PROMPTED DLN VOU VOU/WAR NO:** The DLN number for the actual transfer form used to transfer money is printed in the column or the voucher number of a refund check issued.

**PER:** This is the reporting period that is cross-referenced as a result of a transfer-in or transfer-out.

**TX TYP:** This indicates the tax type when a transfer-in or transfer-out processes.

**SUB-TOTAL** is the sum of the prior transaction(s) indicated above the sub-total line up through either, the first payment, or the first transfer-in.

**TOTAL** is the cumulative total of all the amounts for payments, transfer-in(s), transfer-out(s), refunds issued, credit interest refunded, credit interest transferred-in, and credit interest transferred-out.

Part 5: Collection Record (Commonly called "Outstanding Balances")

```

OPEN AND CLOSED COLLECTION RECORDS
*****
RETURN COLLECTION RECORD FOR PERIOD 0105 THRU 0105
THE FOLLOWING COLLECTION RECORD IS OPEN
TAX: $23,939.28CR PENALTY: $0.00 INTEREST: $0.00 RCD BAL: $23,939.28CR
DATE RECORD SET UP: 05-26-01
REASON RECORD SET UP: ADJUSTMENT NOTICE
OUTPUT HOLD STATUS: NOT IN OUTPUT HOLD OUTPUT HOLD DESTINATION:
NEXT ACTION: FOLLOW UP ON ADJ. NOTICE ACTION DATE: 10-31-03

RETURN INFORMATION SECTION: CALCULATED TAX: $1,207,010.59 REPORTED TAX: $1,134,225.31
CAL PUR TAX: $0.00 CAL PRO TAX: $1,207,010.59 CAL CYC TAX: $0.00

OVERPAYMENT NOTICE SECTION: DATE ISSUED: 03-14-03 AMOUNT: $23,591.84

***** THE FOLLOWING SECTION IS SETUP IN ERROR *****

DEFICIENCY DETERMINATION SECTION ISSUED: 04-12-02 DATE FINAL: 05-13-02 PENALTY DT: 05-22-02 DETERM TYPE: ORIGINAL DEFICIENCY
TAX: $136.98 PENALTY: $13.70 INTEREST: $6.30 TOTAL AMOUNT: $156.98

ADJUSTMENT NOTICE SECTION: TYPE: DATE ISSUED: REASON:
PRO 07-21-01 BAD DATA
PUR 08-11-01 BAD DATA
PRO 08-11-01 BAD DATA
PRO 10-19-01 BAD DATA
PRO 06-28-02 BAD DATA AND BAD TOTALS
PRO 07-26-02 BAD DATA AND BAD TOTALS
PRO 08-09-02 BAD DATA AND BAD TOTALS
PRO 08-23-02 BAD DATA
PRO 09-27-02 BAD TOTALS
PRO 07-03-03 BAD DATA AND BAD TOTALS

PREVIOUS BILLING SECTION: BILLING TYPE: BILLING DATE: BILLING AMOUNT:
DEFIC DETERM 02-22-02 $2,715.49
OVERPAYMENT 12-27-02 $23,591.86
OVERPAYMENT 02-07-03 $38,210.53

TRANSFER IN: $2,385.94 PM DT: 09-21-98 DLN: 02053-67-0188 FROM TX TP: 00 PERIOD: 9807
TRANSFER IN: $137.28 PM DT: 05-20-99 DLN: 02103-67-0152 FROM TX TP: 00 PERIOD: 9903
TRANSFER IN: $663.01 PM DT: 04-20-01 DLN: 02011-67-0402 FROM TX TP: 00 PERIOD: 0102
PAYMENT: $1,455,690.62 PM DT: 05-21-01 DLN: 01141-62-2945
TRANSFER OUT: $1,455,690.62 PR DT: 06-02-01 DLN: 01153-67-0127 TO TX TP: 00 PERIOD: 0103
SUB TOTAL: $0.00

PAYMENT: $1,385,826.08 PM DT: 07-20-01 DLN: 01201-62-3272
REFUND SECTION: $143,443.75 PR DT: 11-23-02 VOU/WAR NO: E023271 DLN: 02324-72-0236
REFUND SECTION: $11,680.82 PR DT: 11-23-02 VOU/WAR NO: E023271 DLN: 02324-72-0236
REFUND SECTION: $14,618.69 PR DT: 02-15-03 VOU/WAR NO: E030461 DLN: 03043-72-0103
REFUND SECTION: $1,374.64 PR DT: 02-15-03 VOU/WAR NO: E030461 DLN: 03043-72-0103
SUB TOTAL: $1,227,763.64
NET PAYMENTS: $1,230,949.87
    
```

The collection record portion of the history indicates the following:

- Outstanding balance for each reporting period. The breakdown of the current tax, penalty, interest, and total due is shown.
- All current account information for the specific reporting period.
- All types and dates of notices issued for the specific reporting period.
- Is a repeat of the "payment records" information of the history for the specific reporting period.

# **ALL EXEMPTIONS**

---

**With Examples**

# TWO-YEAR INACTIVE WELL (TYPE "3") EXEMPTION

This incentive program was introduced September 1, 1997, for oil or gas wells that have been inactive (i.e. have not had more than one month of production) during the preceding two years. Any new production—oil, gas well gas or casinghead gas from a certified well—is eligible for a ten-year tax exemption.

After receipt and processing of August 1997 production reports, the Railroad Commission reviewed all oil and gas lease well records and identified those wells that had been inactive the preceding two years. At that time, operators of those wells were informed of their potential eligibility for certification. Each month thereafter, as additional wells which are reaching the two-year inactive point are identified, their operators will also be notified of the potential eligibility. To get certification a taxpayer must file with the commission.

**Due to Legislation**, an operator may apply with the Railroad Commission through **August 31, 2009** for certification. Along with a copy of the certification, A *Texas Exemption Application* (Comptroller Form #AP 158) must be filed with the Comptroller's office.

**NOTE:** A "worked over" lease may not be eligible for the existing exemption under the old lease number. Taxpayer should verify with the Railroad Commission to determine if the new lease qualifies for the existing exemption. A new application with both the Railroad Commission and the Comptroller's office may be required. See the examples on the following page for amended reports.

## Quick Reference: Two-Year Inactive Wells (Type "3")

<b>Effective Date</b> .....	September 1, 1997
<b>Length of Exemption</b> .....	10 years from the RRC certification date
<b>Certification</b> .....	A letter certifying a well as a two-year inactive well must be obtained from the Railroad Commission and submitted to the Comptroller's office
<b>Comptroller's Application</b> .....	The application (Form #AP-158) and a copy of the certification letter from the Railroad Commission must be submitted to the Comptroller's office.
<b>Rate of Exemption</b> .....	100%
<b>Gas Taxes Exempt</b> .....	Taxpayers are exempt from the natural gas production taxes but not from the oil field clean-up regulatory tax fees.
<b>Condensate</b> .....	NOT Exempt
<b>Oil Field Clean-Up Regulatory Fee</b> .....	NOT Exempt
<b>Natural Gas Report</b> .....	Exempt leases must be reported with a type "3". (See approved application for new lease type and self-check digit.) Volumes and Gross value should be reported in Blocks 10-12 but the net taxable value in Block 16 will be zero ("0").
<b>Recovery of Taxes Paid</b> .....	To recover taxes paid to the Comptroller's office, taxpayers must file amended reports within the four-year statute of limitations.



**EXAMPLE OF AMENDED REPORT WITH TYPE "3" EXEMPTION (FORM #10-145)**



10-145 TEXAS NATURAL GAS -  
(Rev. 1-04/22) AMENDED REPORT

01

a. T Code  Pur/Proc  11120  
 Mo. Prod  11220  
 00990  1124  Ann. Prod.  11320

Do not write in the space above

Page 1 of 2

c. Taxpayer number  
12345678901

d. Filing Period **January 2004** e. (yymm) **0401**

f. Taxpayer name and mailing address  
**The Perfect Oil & Gas Company  
711 Lucky Street  
Austin, TX 123456**

- PLEASE TYPE ALL INFORMATION
- TYPE IN WHITE AREAS ONLY
- USE DOLLARS AND CENTS WHERE APPLICABLE
- SEE INSTRUCTIONS ON REVERSE SIDE

USE THIS FORM TO REPORT ADJUSTMENTS OR SUPPLEMENTS TO YOUR ORIGINAL REPORT.  
ENTER NET ADJUSTMENT AMOUNTS FOR ITEMS TO BE CORRECTED AND CORRECT AMOUNTS FOR ITEMS THAT WERE OMITTED ON YOUR ORIGINAL REPORT.

**OIL FIELD CLEAN-UP REGULATORY FEE**

4A.	5A.	6A.	7A.	8A.	9A.	10A. Gross taxable fee volume
					X	0
11A. Net taxable fee volume	12A.	13A.	14A.	15A.	16A.	
			X	0		

1. Lease name (as recorded with the Texas Railroad Commission) <b>The Best Lease #11</b>			2. County of production <b>Maverick</b>		3. Other party name <b>The Best Purchaser In the World</b>		
4. Commodity <b>RG</b>	5. Type <b>1</b>	6. County code <b>159</b>	7. Lease no./Self-check digit <b>063420</b>	8. Other party number <b>9</b>	9. Are you the lease operator? <input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0		10. Total lease vol/tax rate <b>(54,415)</b>
11. Your volume <b>(54,415)</b>	12. Value of your volume <b>(309,914.07)</b>	13. Are you liable for tax? <input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0		14. Exempt value	15. Marketing costs <b>(49,004.03)</b>	16. Net taxable value/tax due <b>(260,910.04)</b>	

1. Lease name (as recorded with the Texas Railroad Commission) <b>The Best Lease #11</b>			2. County of production <b>Maverick</b>		3. Other party name <b>The Best Purchaser In The World</b>		
4. Commodity <b>RG</b>	5. Type <b>1</b>	6. County code <b>159</b>	7. Lease no./Self-check digit <b>063420</b>	8. Other party number <b>7</b>	9. Are you the lease operator? <input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0		10. Total lease vol/tax rate <b>54,415</b>
11. Your volume <b>54,415</b>	12. Value of your volume <b>309,914.07</b>	13. Are you liable for tax? <input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0		14. Exempt value	15. Marketing costs <b>49,004.03</b>	16. Net taxable value/tax due <b>0.00</b>	

i. T Code <input type="checkbox"/> Pur/Proc <input checked="" type="checkbox"/> 11130 <input checked="" type="checkbox"/> Mo. Prod <input checked="" type="checkbox"/> 11230 <input type="checkbox"/> Ann. Prod <input checked="" type="checkbox"/> 11330		<b>ADJUSTMENT SUMMARY AND TAX COMPUTATION</b>	
		<i>PLEASE TYPE</i>	
17. Total net taxable value of condensate	0.00	24. Total tax and fee due (Item 19 plus Item 23)	(19,568.25)
18. Total net taxable value of gas	(260,910.04)	25. Enter overpayments (Attach "Transfer of Previous Payment")	0.00
19. Tax due on condensate (Multiply Item 17 by .046)	0.00	26. Net amount due (Item 24 minus Item 25)	0.00
20. Tax due on gas (Multiply Item 18 by .075)	(19,568.25)	27. Late filing penalty and interest (See instructions)	0.00
21. Regulatory fee due (Enter fee amount from Item 11A)	0.00	28. TOTAL AMOUNT DUE AND PAYABLE (Item 26 plus Item 27)	(19,568.25)
22. Tax due on type 5 leases	0.00		
23. Amount of tax & fee due on gas (Total of Item 20, 21, and 22)	(19,568.25)		

Make the amount in item 28 payable to:  
STATE COMPTROLLER  
Mail to: COMPTROLLER OF PUBLIC ACCOUNTS  
111 E. 17th Street  
Austin, TX 78774-0100

Field Office no.  
Date  
E.O. name User ID

I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief.  
Taxpayer or duly authorized agent  
**sign here**  
Phone (Area code and number) **(830) 773-1234** Date **4/5/04**

For assistance with any Texas Natural Gas Tax problem, call 1-800-252-1384 toll free nationwide. The Austin number is 512-463-4600. (From a Telecommunications Device for the Deaf (TDD) ONLY call 1-800-248-4099 toll free. The Austin number is 512-463-4621.)

## FLARED/ RELEASED GAS EXEMPTION (TYPE "4")

This incentive program was designed to market previously flared or vented casinghead gas. This applies if an operator markets casinghead gas previously released into the air (vented or flared) for 12 months or more in compliance with Railroad Commission rules and regulations. If this occurs, the operator may receive a severance tax exemption

on that gas for the life of the well. Operators must apply to the Railroad Commission for certification and the Comptroller's office for approval.

See the examples on the following page for amended reports.

### Quick Reference: Flared/Released Gas Wells (Type "4")

<b>Effective Date</b> .....	September 1, 1997
<b>Length of exemption</b> .....	Life of the well or lease (for the marketing of flared/released gas production)
<b>Certification</b> .....	A certification letter certifying an oil well for the flared/released exemption must be obtained from the Railroad Commission.
<b>Comptroller's Application</b> .....	The application (Form #AP-158) and a copy of the certification letter from the Railroad Commission must be submitted to the Comptroller's office.
<b>Rate of Exemption</b> .....	100%
<b>Gas Taxes Exempt</b> .....	Taxpayers are exempt from the natural gas production taxes but not from the regulatory tax or the oil field cleanup fees.
<b>Condensate</b> .....	Not Exempt / Not APPLICABLE
<b>Oil Field Clean-Up Regulatory Fee</b> .....	NOT Exempt
<b>Natural Gas Report</b> .....	Exempt leases must be reported with a lease type "4". (See approved application for new lease type and self-check digit.) Gross value should be reported in Block 12 and "Net taxable value" in Block 16 will be zero ("0").
<b>Recovery of Taxes Paid</b> .....	To recover taxes paid to the Comptroller's office, taxpayers must file amended reports within the four-year statute of limitations.



**EXAMPLE OF AMENDED REPORT WITH TYPE "4" EXEMPTION (FORM #10-145)**

10-145 TEXAS NATURAL GAS - AMENDED REPORT (Rev. 1-04/22) **01**

a. T Code  Pur/Proc  **11120**  
 **00990**  **1124**  Mo. Prod  **11220**  
 Ann. Prod  **11320**

c. Taxpayer number **12345678901**

d. Filing Period **February 2004** e. (yy/mm) **0402**

Page 1 of 2

f. Taxpayer name and mailing address

**The Perfect Oil & Gas Company**  
**711 Lucky Street**  
**Austin, TX 123456**

• PLEASE TYPE ALL INFORMATION  
 • TYPE IN WHITE AREAS ONLY  
 • USE DOLLARS AND CENTS WHERE APPLICABLE  
 • SEE INSTRUCTIONS ON REVERSE SIDE

USE THIS FORM TO REPORT ADJUSTMENTS OR SUPPLEMENTS TO YOUR ORIGINAL REPORT. ENTER NET ADJUSTMENT AMOUNTS FOR ITEMS TO BE CORRECTED AND CORRECT AMOUNTS FOR ITEMS THAT WERE OMITTED ON YOUR ORIGINAL REPORT.

**OIL FIELD CLEAN-UP REGULATORY FEE**

4A.	5A.	6A.	7A.	8A.	9A.	10A. Gross taxable fee volume
					X <input type="checkbox"/> 0	
11A. Net taxable fee volume	12A.	13A.	14A.	15A.	16A.	
		X <input type="checkbox"/> 0				

1. Lease name (as recorded with the Texas Railroad Commission) **The Second Best Lease #7**

2. County of production **Maverick**

3. Other party name **XYX Purchaser Corp.**

4. Commodity **RG** 5. Type **1** 6. County code **159** 7. Lease no./Self-check digit **000212 7**

8. Other party number **12233445566** 9. Are you the lease operator?  YES 1  NO 0

10. Total lease vol/tax rate **(800)**

11. Your volume **(800)** 12. Value of your volume **(2,000.00)** 13. Are you liable for tax?  YES 1  NO 0

14. Exempt value **0.00** 15. Marketing costs **0.00** 16. Net taxable value/tax due **(2,000.00)**

1. Lease name (as recorded with the Texas Railroad Commission) **The Second Best Lease #7**

2. County of production **Maverick**

3. Other party name **XYZ Purchaser Corp.**

4. Commodity **RG** 5. Type **4** 6. County code **159** 7. Lease no./Self-check digit **000212 2**

8. Other party number **12233445566** 9. Are you the lease operator?  YES 1  NO 0

10. Total lease vol/tax rate **800**

11. Your volume **800** 12. Value of your volume **2,000.00** 13. Are you liable for tax?  YES 1  NO 0

14. Exempt value **0.00** 15. Marketing costs **0.00** 16. Net taxable value/tax due **0.00**

i. T Code  Pur/Proc  **11130**  Mo. Prod  **11230**  Ann. Prod  **11330**

**ADJUSTMENT SUMMARY AND TAX COMPUTATION**

PLEASE TYPE

17. Total net taxable value of condensate	<b>0.00</b>	24. Total tax and fee due (Item 19 plus Item 23)	<b>(150.00)</b>
18. Total net taxable value of gas	<b>(2,000.00)</b>	25. Enter overpayments (Attach "Transfer of Previous Payment")	<b>0.00</b>
19. Tax due on condensate (Multiply Item 17 by .046)	<b>0.00</b>	26. Net amount due (Item 24 minus Item 25)	<b>0.00</b>
20. Tax due on gas (Multiply Item 18 by .075)	<b>(150.00)</b>	27. Late filing penalty and interest (See instructions)	<b>0.00</b>
21. Regulatory fee due (Enter fee amount from Item 11A)	<b>0.00</b>	28. TOTAL AMOUNT DUE AND PAYABLE (Item 26 plus Item 27)	<b>(150.00)</b>
22. Tax due on type 5 leases	<b>0.00</b>		
23. Amount of tax & fee due on gas (Total of Item 20, 21, and 22)	<b>(150.00)</b>		

Make the amount in Item 28 payable to: STATE COMPTROLLER

Field Office no. \_\_\_\_\_ Date \_\_\_\_\_

Mail to: COMPTROLLER OF PUBLIC ACCOUNTS  
 111 E. 17th Street  
 Austin, TX 78774-0100

E.O. name \_\_\_\_\_ User ID \_\_\_\_\_

I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief.

sign here Taxpayer or duly authorized agent

Phone (Area code and number) **(830) 773-1234** Date **4/5/04**

For assistance with any Texas Natural Gas Tax problem, call 1-800-252-1384 toll free nationwide. The Austin number is 512-463-4600. (From a Telecommunications Device for the Deaf (TDD) ONLY call 1-800-248-4099 toll free. The Austin number is 512-463-4621.)



# HIGH COST GAS REDUCED TAX RATE (TYPE "5") EXEMPTION

The High-Cost Gas Incentive Program is for gas from gas wells defined as high-cost gas wells under Section 107 of the Natural Gas Policy Act (NGPA) of 1978 and certified by the Railroad Commission. These wells are eligible for a severance tax reduction based upon the actual drilling and completion costs.

To qualify for the tax rate reduction, the well must be spudded or completed after September 1, 1996.

## HOUSE BILL 2425

### **Refund Limits, Marketing Cost Deductions and Cash Sales**

Beginning January 1, 2004, credit for exemptions for high-cost gas leases will be limited to the amount of taxes paid in the 24 months prior to applying to the Texas Railroad Commission for certification.

There is no longer a deadline for applying to the Railroad Commission for certification. However, there is a penalty (reduction of benefits) for filing late with the Comptroller's office. The application to the Comptroller must be made at the later of the 180th day after the date of first PRODUCTION or the 45th day after the date of the well's certification by the Railroad Commission. If the application deadline for filing with the Comptroller is **NOT** met, the tax exemption or reduction is **reduced by 10 percent (10%)**

for the period beginning on the 180th day after the first day of production and ending on the date the application is filed with the Comptroller's office.

A "worked over" lease may not be eligible for the existing exemption under the old lease number. Taxpayer should verify with the Railroad Commission to determine if the new lease qualifies for the existing exemption. A new application with both the Railroad Commission and the Comptroller's office may be required.

It is the taxpayer's responsibility to maintain their own accumulated savings records of leases with high cost gas exemptions that have the reduced tax rate.

The Comptroller's office will notify taxpayers by letter when a lease with an approved reduced tax rate has reached an accumulated tax savings of 30 percent, and another letter when it has reached the cap of 50 percent. After the 50 percent cap, or the ten-year limit is reached (whichever is first), resume reporting the lease as a type "2" at the tax rate of 7.5 percent.

See the examples on the following pages for amended reports.

The formula to calculate the reduced tax rate is as follows:

$$.075 - [.075 \times (\text{total actual drilling \& completion cost} \div (2 \times \text{median cost}))]$$

The medians calculated for each fiscal year are:

<b>FY 97 Median</b>	<b>=</b>	<b>\$577,392</b>	<b>(Leases completed between 9/1/1996 to 8/31/1997)</b>
<b>FY 98 Median</b>	<b>=</b>	<b>\$578,491</b>	<b>(Leases completed between 9/1/1997 to 8/31/1998)</b>
<b>FY 99 Median</b>	<b>=</b>	<b>\$707,706</b>	<b>(Leases completed between 9/1/1998 to 8/31/1999)</b>
<b>FY 00 Median</b>	<b>=</b>	<b>\$828,463</b>	<b>(Leases completed between 9/1/1999 to 8/31/2000)</b>
<b>FY 01 Median</b>	<b>=</b>	<b>\$810,503</b>	<b>(Leases completed between 9/1/2000 to 8/31/2001)</b>
<b>FY 02 Median</b>	<b>=</b>	<b>\$875,599</b>	<b>(Leases completed between 9/1/2001 to 8/31/2002)</b>
<b>FY 03 Median</b>	<b>=</b>	<b>\$979,318</b>	<b>(Leases completed between 9/1/2002 to 8/31/2003)</b>
<b>FY 04 Median</b>	<b>=</b>	<b>\$1,144,985</b>	<b>(Leases completed between 9/1/2003 to 8/31/2004)</b>

## NOTES:

- In the fiscal year (FY) 1997, the median was calculated using high-cost applications filed with the Comptroller's office with postmark dates August 31, 1995 and September 1, 1996. The (FY) 1997 median applies to wells with an effective date (completion date) August 1996 and September 1997.
- For current median costs and calculations, refer to our website: [www.window.state.tx.us/taxinfo/wellcalc.html](http://www.window.state.tx.us/taxinfo/wellcalc.html).





## COMPTROLLER OF PUBLIC ACCOUNTS

P.O. BOX 13528  
AUSTIN, TX 78711-3528

December 11, 2001

The Perfect Oil & Gas Co.  
711 Lucky Street  
Austin, TX 78123

Dear Taxpayer:

Our records indicate that the high-cost gas reduced tax rate exemption for the following lease has reached an accumulated savings of 30% of the actual drilling and completion costs:

Lease Name	Lease Number	Reduced Tax Rate
<u>Uma Luna #2</u>	<u>5-198-166005-0</u>	<u>.028</u>

Section 201.057(C) of the Texas Tax Code provides that once the accumulated tax savings for a high-cost gas reduced tax rate lease reaches 50% of the actual drilling and completion costs for that lease, the reduced tax rate will end. This letter is an advance notification that the above-mentioned lease is within 30% of the tax savings limit. Once the 50% tax savings limit for this lease is reached, our records will be changed to reflect the regular tax rate of 7.5%.

If you have questions, please call the Natural Gas Tax Section at 1-800-531-5441, extension 3-4485, or in Austin, 512/463-4485. If you are calling from a Telecommunications Device for the Deaf (TDD), the toll free number is 1-800-248-4099, or in Austin, 512/463-4621.

Natural Gas Tax Section  
Account Maintenance Division  
P. O. Box 13528  
Austin, Texas 78711-3528



COMPTROLLER OF PUBLIC ACCOUNTS  
 P.O. BOX 13528  
 AUSTIN, TX 78711-3528

December 11, 2001

The Perfect Oil & Gas Co.  
 711 Lucky Street  
 Austin, TX 78123

Dear Taxpayer:

For the reporting period indicated below, our records indicate that the high-cost gas reduced tax rate exemption has reached an accumulated savings of an amount exceeding 50% of the actual drilling and completion costs for the following lease:

Lease Name	Lease Number	Reduced Tax Rate	Ending Period
<u>Kelly #2</u>	<u>5-102-17741-0</u>	<u>.001</u>	<u>September 2000</u>

Section 201.057(C) of the Texas Tax Code provides that once the accumulated tax savings for a high-cost gas reduced tax rate lease reaches 50% of the actual drilling and completion costs for that lease, the reduced tax rate will end. Our records have been changed to reflect that the 50% tax savings limit for this lease was reached during the filing period indicated above.

Any production reported after September 2000 is subject to the normal severance tax rate of 7.5%. Please make the necessary adjustments to your natural gas tax report records for any filing periods after September 2000 to show the regular tax rate and also change the lease type to a "2" for this lease.

If you have questions, please call the Natural Gas Tax Section at 1-800-531-5441, extension 3-4485, or in Austin, 512/463-4485. If you are calling from a Telecommunications Device for the Deaf (TDD), the toll free number is 1-800-248-4099, or in Austin, 512/463-4621.

Natural Gas Tax Section  
 Account Maintenance Division  
 P. O. Box 13528  
 Austin, Texas 78711-3528

**Quick Reference: High Cost Gas (Type "5")**

<b>Effective Date</b> .....	September 1, 1995
<b>Length of Exemption</b> .....	<b>Wells spudded or completed after August 31, 1996 and before September 1, 2010, will receive a reduced tax rate for 10 years, or until the well accumulates tax savings of 50% of the actual drilling and completion costs of the well.</b> Taxpayers will be notified by the Comptroller's office when 30% of the actual drilling and completion cost has been reached. A second notice will be sent when the maximum tax savings of 50% has been reached on the approved well.
<b>Certification</b> .....	Operators must obtain a letter of certification from the Railroad Commission.
<b>Comptroller's Application</b> .....	Operators must complete an application with the Comptroller's office (AP-180) and include a copy of the letter of certification from the Railroad Commission. All wells spudded after August 31, 1996 will need to include the actual drilling and completion costs for the well.
<b>For Maximum Tax Reduction</b> .....	The application must be filed with the Comptroller the later of the 180th day after the first day of production, or the 45th day after the approval date by the Railroad Commission.
<b>Rate of Tax Reduction</b> .....	Wells spudded after August 31, 1996 and before September 1, 2010 will receive a reduced tax rate. The formula for calculating the reduced tax rate is $.075 - [.075 \times (\text{Total Actual Drilling \& Completion Costs} \div (2 \times \text{FY Median Cost}))]$ .
<b>Condensate</b> .....	<b>Not Exempt</b>
<b>Oil Field Clean-Up Regulatory Fee</b> .....	On and prior to August 2003 (0308) filing period, the fee is exempt. On and after September 2003 (0309), this fee is not exempt.
<b>Natural Gas Report</b> .....	Report the lease with a lease type of "5". The reduced tax rate should be reported in block 10. To calculate Block 16 (Actual tax due), subtract Blocks 14, & 15 from Block 12, and multiply this by the rate in Block 10. This actual tax owed is recorded in Block 16. The totals of all Block 16 for any leases with a lease type "5" must be entered on Line 22 at the bottom of the first page of the report.
<b>Recovery of Taxes Paid</b> .....	<b>Amendments must be filed within one year (1yr) of the Comptroller's application (form AP180) signature date to receive a credit for taxes paid in prior to the signature date.</b> For leases that were certified by the Railroad Commission prior to January 1, 2004, taxes paid in excess after the Comptroller approval date may be recouped by filing amended reports within the four year (4yr) statute of limitations. For leases certified by the Railroad Commission after January 1, 2004, credit for exemptions for high cost gas leases is limited to the amount of taxes paid in the 24 months prior to applying to the Railroad Commission for certification.
<b>Penalty</b> .....	If the application is NOT received by the application deadline, the tax exemption or reduction is reduced by 10% for the period beginning the 180th day after the first day of production and ending on the date the application is filed with the Comptroller. Check the approval letter from the Comptroller's office to see if a penalty has been assessed and what periods may be involved.



**EXAMPLE OF AMENDED REPORT WITH TYPE "5" EXEMPTION (FORM #10-145)**

10-145 TEXAS NATURAL GAS - AMENDED REPORT (Rev. 1-04/22) **01**

a. T Code  Pur/Proc  11120  Mo. Prod  11220  Ann. Prod.  11320

00990  1124

c. Taxpayer number **12345678901**

d. Filing Period **March 2004**

e. (yymm) **0403**

Do not write in the space above Page 1 of 2

f. Taxpayer name and mailing address

**The Perfect Oil & Gas Company  
711 Lucky Street  
Austin, TX 123456**

- PLEASE TYPE ALL INFORMATION
- TYPE IN WHITE AREAS ONLY
- USE DOLLARS AND CENTS WHERE APPLICABLE
- SEE INSTRUCTIONS ON REVERSE SIDE

USE THIS FORM TO REPORT ADJUSTMENTS OR SUPPLEMENTS TO YOUR ORIGINAL REPORT. ENTER NET ADJUSTMENT AMOUNTS FOR ITEMS TO BE CORRECTED AND CORRECT AMOUNTS FOR ITEMS THAT WERE OMITTED ON YOUR ORIGINAL REPORT.

OIL FIELD CLEAN-UP REGULATORY FEE									
4A.	5A.	6A.	7A.	8A.	9A.	10A. Gross taxable fee volume			
					X	0	<b>955,600.</b>		
11A. Net taxable fee volume	12A.	13A.	14A.	15A.	16A.				
<b>955,600</b>	<b>637.38</b>	X	0						

1. Lease name (as recorded with the Texas Railroad Commission) <b>The Enchanted Lease #26</b>			2. County of production <b>Maverick</b>		3. Other party name <b>The Trollettes Ltd. Partnership</b>				
4. Commodity <b>RG</b>	5. Type <b>1</b>	6. County code <b>2</b>	7. Lease no./Self-check digit <b>159</b>	8. Other party number <b>198765</b>	9. Are you the lease operator? <input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0	10. Total lease vol/tax rate <b>5</b> <b>(780,000)</b>			
11. Your volume <b>(780,000)</b>	12. Value of your volume <b>(351,000.00)</b>	13. Are you liable for tax? <input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0	14. Exempt value <b>0.00</b>	15. Marketing costs <b>(26,000.00)</b>	16. Net taxable value/tax due <b>(325,000.00)</b>				

1. Lease name (as recorded with the Texas Railroad Commission) <b>The Enchanted Lease #26</b>			2. County of production <b>Maverick</b>		3. Other party name <b>The Trollettes Ltd. Partnership</b>				
4. Commodity <b>RG</b>	5. Type <b>1</b>	6. County code <b>5</b>	7. Lease no./Self-check digit <b>159</b>	8. Other party number <b>198765</b>	9. Are you the lease operator? <input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0	10. Total lease vol/tax rate <b>8</b> <b>.040</b>			
11. Your volume <b>780,000</b>	12. Value of your volume <b>351,000.00</b>	13. Are you liable for tax? <input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0	14. Exempt value <b>0.00</b>	15. Marketing costs <b>26,000.00</b>	16. Net taxable value/tax due <b>13,000.00</b>				

i. T Code  Pur/Proc  11130  Mo. Prod  11230  Ann. Prod.  11330

**ADJUSTMENT SUMMARY AND TAX COMPUTATION**

PLEASE TYPE

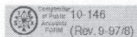
17. Total net taxable value of condensate	<b>0.00</b>	24. Total tax and fee due (Item 19 plus Item 23)	<b>(27,035.62)</b>
18. Total net taxable value of gas	<b>(4,256,108.00)</b>	25. Enter overpayments (Attach "Transfer of Previous Payment")	<b>0.00</b>
19. Tax due on condensate (Multiply Item 17 by .046)	<b>0.00</b>	26. Net amount due (Item 24 minus Item 25)	<b>(27,035.62)</b>
20. Tax due on gas (Multiply Item 18 by .075)	<b>(319,208.10)</b>	27. Late filing penalty and interest (See instructions)	<b>0.00</b>
21. Regulatory fee due (Enter fee amount from Item 11A)	<b>637.38</b>	28. TOTAL AMOUNT DUE AND PAYABLE (Item 26 plus Item 27)	<b>(27,035.62)</b>
22. Tax due on type 5 leases	<b>291,535.10</b>		
23. Amount of tax & fee due on gas (Total of Item 20, 21, and 22)	<b>(27,035.62)</b>		

Make the amount in Item 28 payable to: STATE COMPTROLLER	Field Office no.	I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief. <b>sign here</b> Taxpayer or duly authorized agent
Mail to: COMPTROLLER OF PUBLIC ACCOUNTS 111 E. 17th Street Austin, TX 78774-0100	Date E.O. name User ID	
Phone (Area code and number) <b>(830) 773-1234</b>		Date <b>4/5/04</b>

For assistance with any Texas Natural Gas Tax problem, call 1-800-252-1384 toll free nationwide. The Austin number is 512-463-4600. (From a Telecommunications Device for the Deaf (TDD) ONLY call 1-800-248-4099 toll free. The Austin number is 512-463-4621.)



**EXAMPLE OF AMENDED REPORT SUPPLEMENT WITH TYPE "5" EXEMPTION (FORM #10-146)**



**TEXAS NATURAL GAS - VOLUNTARY AMENDED REPORT SUPPLEMENT**

10

a. T Code  PUR/PROC  MO. PROD  ANN. PROD

Page 2 of 2

c. Taxpayer number  
**12345678901**

d. Filing Period  
**March 2004**  
e. (yy/mm) **0403**

f. Taxpayer name  
**The Perfect Oil & Gas Company**

PLEASE TYPE ALL INFORMATION  
TYPE IN WHITE AREAS ONLY  
USE DOLLARS AND CENTS WHERE APPLICABLE

NOTE: Each filing period and report type (PUR/PROC or PROD) MUST have a cover page, form 10-145.

1. Lease name (as recorded with the Texas Railroad Commission) <b>Muffin Man Lease #123</b>				2. County of production <b>Travis</b>		3. Other party name <b>Awesome Oil &amp; Gas Corporation</b>			
4. Commodity <b>RG</b>	5. Type <b>1</b>	6. County code <b>227</b>	7. Lease no./Self-check digit <b>178910</b>	8. Other party number <b>32000456789</b>	9. Are you the lease operator? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	10. Total lease vol/tax rate <b>(950,777)</b>			
11. Your volume <b>(950,777)</b>	12. Value of your volume <b>(3,803,108.00)</b>	13. Are you liable for tax? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	14. Exempt value	15. Marketing costs <b>(55,000.00)</b>	16. Net taxable value/tax due <b>(3,748,108.00)</b>				
1. Lease name (as recorded with the Texas Railroad Commission) <b>Muffin Man Lease #123</b>				2. County of production <b>Travis</b>		3. Other party name <b>Awesome Oil &amp; Gas Corporation</b>			
4. Commodity <b>RG</b>	5. Type <b>5</b>	6. County code <b>227</b>	7. Lease no./Self-check digit <b>178910</b>	8. Other party number <b>32000456789</b>	9. Are you the lease operator? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	10. Total lease vol/tax rate <b>.025</b>			
11. Your volume <b>950,777</b>	12. Value of your volume <b>3,803,108.00</b>	13. Are you liable for tax? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	14. Exempt value	15. Marketing costs <b>55,000.00</b>	16. Net taxable value/tax due <b>93,702.70</b>				
1. Lease name (as recorded with the Texas Railroad Commission) <b>Brilliant Lease #45</b>				2. County of production <b>Travis</b>		3. Other party name <b>La Conchita Corporation</b>			
4. Commodity <b>RG</b>	5. Type <b>2</b>	6. County code <b>227</b>	7. Lease no./Self-check digit <b>190123</b>	8. Other party number <b>12398765432</b>	9. Are you the lease operator? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	10. Total lease vol/tax rate <b>(680,000)</b>			
11. Your volume <b>(680,000)</b>	12. Value of your volume <b>(204,000.00)</b>	13. Are you liable for tax? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	14. Exempt value <b>(15,000.00)</b>	15. Marketing costs <b>(6,000.00)</b>	16. Net taxable value/tax due <b>(183,000.00)</b>				
1. Lease name (as recorded with the Texas Railroad Commission) <b>Brilliant Lease #45</b>				2. County of production <b>Travis</b>		3. Other party name <b>La Conchita Corporation</b>			
4. Commodity <b>RG</b>	5. Type <b>5</b>	6. County code <b>227</b>	7. Lease no./Self-check digit <b>190123</b>	8. Other party number <b>12398765432</b>	9. Are you the lease operator? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	10. Total lease vol/tax rate <b>.038</b>			
11. Your volume <b>680,000</b>	12. Value of your volume <b>(204,000.00)</b>	13. Are you liable for tax? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	14. Exempt value <b>15,000.00</b>	15. Marketing costs <b>6,000.00</b>	16. Net taxable value/tax due <b>6,954.00</b>				
1. Lease name (as recorded with the Texas Railroad Commission) <b>Oh So Lucky Gas Unit #5</b>				2. County of production <b>Travis</b>		3. Other party name <b>Rosarita Oil &amp; Gas Ltd.</b>			
4. Commodity <b>RG</b>	5. Type <b>5</b>	6. County code <b>227</b>	7. Lease no./Self-check digit <b>199988</b>	8. Other party number <b>17776665555</b>	9. Are you the lease operator? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	10. Total lease vol/tax rate <b>.042</b>			
11. Your volume <b>955,600</b>	12. Value of your volume <b>4,300,200.00</b>	13. Are you liable for tax? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	14. Exempt value	15. Marketing costs <b>65,000.00</b>	16. Net taxable value/tax due <b>177,878.40</b>				
1. Lease name (as recorded with the Texas Railroad Commission)				2. County of production		3. Other party name			
4. Commodity	5. Type	6. County code	7. Lease no./Self-check digit	8. Other party number	9. Are you the lease operator? <input type="checkbox"/> YES <input type="checkbox"/> NO	10. Total lease vol/tax rate			
11. Your volume	12. Value of your volume	13. Are you liable for tax? <input type="checkbox"/> YES <input type="checkbox"/> NO	14. Exempt value	15. Marketing costs	16. Net taxable value/tax due				

17. PAGE TOTALS

Net taxable value of gas

Net taxable value of CN

Tax due on type 5 leases

CARRY THE TOTALS ON THIS PAGE AND ALL OTHER SUPPLEMENT PAGES FORWARD TO PAGE 1.



# HIGH COST GAS EXEMPTION (TYPE "6") UNDER THE ORIGINAL STATUTE

To qualify for the high-cost gas type "6" exemption, the gas must be produced from a well that was spudded or completed between May 24, 1989 and September 1, 1996. The Texas Railroad Commission must also certify that the well falls under the definition of high cost gas as described in the Natural Gas Policy Act, section 107 as that section existed on January 1, 1989. For more information on the definition of a high cost gas well see Texas Railroad Commission, Statewide Rule 3.101.

This exemption began September 1, 1991 and ended on August 31, 2001.

**NOTE:**A "worked over" lease may not be eligible for the exiting exemption under the old lease number. Taxpayer should verify with the Railroad Commission

to determine if the new lease qualifies for the existing exemption. A new application with both the Railroad Commission and the Comptroller's office may be required.

The exemption for type "6" high cost gas leases expired August 31, 2001. Any production for September 2001 and later will be taxed at the full rate of 7.5 percent. Resume reporting these type "6" high cost gas leases using a lease type "2." Any amendments filed for periods prior to September 2001 should still be reported using a lease type "6" for high cost gas exempt leases.

See the examples on the following page for amended reports

## Quick Reference: High Cost Gas (Type "6")

<b>Effective Date</b> .....	September 1, 1991
<b>Length of Exemption</b> .....	Wells spudded or completed after May 24, 1989 and before September 1, 1996 are exempt from the natural gas production taxes until <b>August 31, 2001</b> .
<b>Certification</b> .....	Operators must obtain a letter of certification from the Railroad Commission.
<b>Comptroller's Application</b> .....	Operators must complete an application with the Comptroller's office (AP-180) and include a copy of the letter of certification from the Railroad Commission.
<b>Rate of Exemption</b> .....	Wells spudded after May 24, 1989 and before September 1, 1996 will receive 100% exemption from production taxes. It should be reported with a lease type "6" and the corresponding self-check digit lease number.
<b>Condensate</b> .....	<b>Not Exempt</b>
<b>Oil Field Clean-Up Regulatory Fee</b> .....	<b>All High-Cost Gas leases are exempt from this fee</b>
<b>Natural Gas Report</b> .....	Report the lease with a lease type of "6". The Net Taxable value in Block 16 will be zero ("0").
<b>Recovery of Taxes Paid</b> .....	To receive a credit for taxes paid prior to approval by the Comptroller's office, amendments must be filed within one year (1yr) of the Comptroller's application (AP180) signature date. Taxes paid in excess, after the Comptroller approval date, may be recouped by filing amended reports within the four year (4yr) statute of limitations.

**EXAMPLE OF AMENDED REPORT WITH TYPE "6" EXEMPTION (FORM #10-145)**

10-145 TEXAS NATURAL GAS - AMENDED REPORT (Rev. 1-04/22) 01

a. T Code  Pur/Proc  11120 Do not write in the space above

00990  1124  Mo. Prod  11220 Page 1 of 1

Ann. Prod  11320

c. Taxpayer number **12345678901** d. Filing Period **August 2001** e. (yy/mm) **0108**

f. Taxpayer name and mailing address

**The Perfect Oil & Gas Company  
711 Lucky Street  
Austin, TX 123456**

- PLEASE TYPE ALL INFORMATION
- TYPE IN WHITE AREAS ONLY
- USE DOLLARS AND CENTS WHERE APPLICABLE
- SEE INSTRUCTIONS ON REVERSE SIDE

USE THIS FORM TO REPORT ADJUSTMENTS OR SUPPLEMENTS TO YOUR ORIGINAL REPORT. ENTER NET ADJUSTMENT AMOUNTS FOR ITEMS TO BE CORRECTED AND CORRECT AMOUNTS FOR ITEMS THAT WERE OMITTED ON YOUR ORIGINAL REPORT.

**OIL FIELD CLEAN-UP REGULATORY FEE**

4A.	5A.	6A.	7A.	8A.	9A.	10A. Gross taxable fee volume
					X <input type="checkbox"/> 0	(780,000)
11A. Net taxable fee volume	12A.	13A.	14A.	15A.	16A.	
(780,000)	(259.74)	X <input type="checkbox"/> 0				

1. Lease name (as recorded with the Texas Railroad Commission) <b>The Enchanted Lease #26</b>			2. County of production <b>Maverick</b>		3. Other party name <b>The Trollettes Ltd. Partnership</b>		
4. Commodity <b>RG</b>	5. Type <b>1</b>	6. County code <b>2</b>	7. Lease no./Self-check digit <b>159</b>	8. Other party number <b>198765</b>	9. Are you the lease operator? <input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0	10. Total lease vol/tax rate <b>5</b>	<b>16666777788</b>
11. Your volume <b>(780,000)</b>	12. Value of your volume <b>(351,000.00)</b>	13. Are you liable for tax? <input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0	14. Exempt value <b>0.00</b>	15. Marketing costs <b>(26,000.00)</b>	16. Net taxable value/tax due <b>(325,000.00)</b>		

1. Lease name (as recorded with the Texas Railroad Commission) <b>The Enchanted Lease #26</b>			2. County of production <b>Maverick</b>		3. Other party name <b>The Trollettes Ltd. Partnership</b>		
4. Commodity <b>RG</b>	5. Type <b>1</b>	6. County code <b>6</b>	7. Lease no./Self-check digit <b>159</b>	8. Other party number <b>198765</b>	9. Are you the lease operator? <input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0	10. Total lease vol/tax rate <b>6</b>	<b>16666777788</b>
11. Your volume <b>780,000</b>	12. Value of your volume <b>351,000.00</b>	13. Are you liable for tax? <input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0	14. Exempt value <b>0.00</b>	15. Marketing costs <b>26,000.00</b>	16. Net taxable value/tax due <b>0.00</b>		

i. T Code  Pur/Proc  11130  Mo. Prod  11230  Ann. Prod  11330 **ADJUSTMENT SUMMARY AND TAX COMPUTATION**

<i>PLEASE TYPE</i>	
17. Total net taxable value of condensate	0.00
18. Total net taxable value of gas	(325,000.00)
19. Tax due on condensate (Multiply Item 17 by .046)	0.00
20. Tax due on gas (Multiply Item 18 by .075)	(24,375.00)
21. Regulatory fee due (Enter fee amount from Item 11A)	(259.74)
22. Tax due on type 5 leases	0.00
23. Amount of tax & fee due on gas (Total of Item 20, 21, and 22)	(24,634.74)
24. Total tax and fee due (Item 19 plus Item 23)	(24,634.74)
25. Enter overpayments (Attach "Transfer of Previous Payment")	0.00
26. Net amount due (Item 24 minus Item 25)	(24,634.74)
27. Late filing penalty and interest (See instructions)	0.00
28. TOTAL AMOUNT DUE AND PAYABLE (Item 26 plus Item 27)	(24,634.74)

Make the amount in item 28 payable to: STATE COMPTROLLER Mail to: COMPTROLLER OF PUBLIC ACCOUNTS 111 E. 17th Street Austin, TX 78774-0100	Field Office no. Date E.O. name      User ID	I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief. Taxpayer or duly authorized agent <b>sign here</b>
Phone (Area code and number) <b>(830) 773-1234</b>		Date <b>4/5/04</b>

For assistance with any Texas Natural Gas Tax problem, call 1-800-252-1384 toll free nationwide. The Austin number is 512-463-4600. (From a Telecommunications Device for the Deaf (TDD) ONLY call 1-800-249-4099 toll free. The Austin number is 512-463-4621.)



# THREE-YEAR INACTIVE WELL EXEMPTION (TYPE "7")

For the three-year inactive wells incentive, the Railroad Commission certified the last well under this incentive on February 29, 1996. Any well that qualified for this exemption, has a ten year exemption beginning with the certification date issued by the Railroad Commission.

Taxpayer should verify with the Railroad Commission to determine if the new lease qualifies for the existing exemption. A new application with both the Railroad Commission and the Comptroller's office may be required.

**NOTE:** A "worked over" lease may not be eligible for the existing exemption under the old lease number.

See the examples on the following page for filing amended reports

## Quick Reference: Three-Year Inactive Wells (Type "7")

<b>Effective Date</b> .....	September 1, 1993
<b>Length of Exemption</b> .....	10 years from the Railroad Commission certification date
<b>Certification</b> .....	A certification letter from the Railroad Commission certifying a well as a three-year inactive well will be issued.
<b>Comptroller's Application</b> .....	The application (Form #AP-158) and a copy of the certification letter from the Railroad Commission must be submitted to the Comptroller's office.
<b>Rate of Exemption</b> .....	100%
<b>Gas Taxes Exempt</b> .....	Taxpayers are exempt from the natural gas production taxes but not from the regulatory tax or the oil field cleanup fees.
<b>Condensate</b> .....	NOT Exempt
<b>Oil Field Clean-Up Regulatory Fee</b> .....	NOT Exempt
<b>Natural Gas Report</b> .....	Exempt leases must be reported with a lease type "7" with the corresponding self-check digit. Volumes and Gross values should be reported in Blocks 11 & 12, but the "Net taxable value" Block 16 will be zero ("0").
<b>Recovery of Taxes Paid</b> .....	To recover taxes paid to the Comptroller's office, taxpayer's must file amended reports within the four-year statute of limitations.



**EXAMPLE OF AMENDED REPORT WITH TYPE "7" EXEMPTION (FORM #10-145)**



10-145  
(Rev. 1-04/22)

TEXAS NATURAL GAS -  
AMENDED REPORT

01

a. T Code  Pur/Proc  11120  
 Mo. Prod  11220  
 00990  1124  Ann. Prod.  11320

Do not write in the space above

Page 1 of 1

c. Taxpayer number

12345678901

d. Filing Period

September 2003

e. (yy/mm)

0309

f. Taxpayer name and mailing address

**The Perfect Oil & Gas Company**  
**711 Lucky Street**  
**Austin, TX 123456**

- PLEASE TYPE ALL INFORMATION
- TYPE IN WHITE AREAS ONLY
- USE DOLLARS AND CENTS WHERE APPLICABLE
- SEE INSTRUCTIONS ON REVERSE SIDE

USE THIS FORM TO REPORT ADJUSTMENTS OR SUPPLEMENTS TO YOUR ORIGINAL REPORT.  
 ENTER NET ADJUSTMENT AMOUNTS FOR ITEMS TO BE CORRECTED AND CORRECT AMOUNTS  
 FOR ITEMS THAT WERE OMITTED ON YOUR ORIGINAL REPORT.

**OIL FIELD CLEAN-UP REGULATORY FEE**

4A.	5A.	6A.	7A.	8A.	9A.	10A. Gross taxable fee volume
					X	0

11A. Net taxable fee volume	12A.	13A.	14A.	15A.	16A.
		X	0		

1. Lease name (as recorded with the Texas Railroad Commission)	2. County of production	3. Other party name
Uma #1177	Maverick	Luna Oil & Gas Corp.

4. Commodity	5. Type	6. County code	7. Lease no./Self-check digit	8. Other party number	9. Are you the lease operator?	10. Total lease vol/tax rate
RG	1	159	098765 8	16666777788	<input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0	(80,000)

11. Your volume	12. Value of your volume	13. Are you liable for tax?	14. Exempt value	15. Marketing costs	16. Net taxable value/tax due
(80,000)	(280,000.00)	<input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0	0.00	(12,000.00)	(268,000.00)

1. Lease name (as recorded with the Texas Railroad Commission)	2. County of production	3. Other party name
Uma #1177	Maverick	Luna Oil & Gas corp.

4. Commodity	5. Type	6. County code	7. Lease no./Self-check digit	8. Other party number	9. Are you the lease operator?	10. Total lease vol/tax rate
RG	1	159	098765 5	16666777788	<input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0	80,000

11. Your volume	12. Value of your volume	13. Are you liable for tax?	14. Exempt value	15. Marketing costs	16. Net taxable value/tax due
80,000	280,000.00	<input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0	0.00	12,000.00	0.00

i. T Code  Pur/Proc  11130  Mo. Prod  11230  Ann. Prod  11330 **ADJUSTMENT SUMMARY AND TAX COMPUTATION**

PLEASE TYPE	
17. Total net taxable value of condensate	0.00
18. Total net taxable value of gas	(268,000.00)
19. Tax due on condensate (Multiply Item 17 by .046)	0.00
20. Tax due on gas (Multiply Item 18 by .075)	(20,100.00)
21. Regulatory fee due (Enter fee amount from Item 11A)	0.00
22. Tax due on type 5 leases	0.00
23. Amount of tax & fee due on gas (Total of Item 20, 21, and 22)	(20,100.00)
24. Total tax and fee due (Item 19 plus Item 23)	(20,100.00)
25. Enter overpayments (Attach "Transfer of Previous Payment")	0.00
26. Net amount due (Item 24 minus Item 25)	(20,100.00)
27. Late filing penalty and interest (See instructions)	0.00
28. TOTAL AMOUNT DUE AND PAYABLE (Item 26 plus Item 27)	(20,100.00)

Make the amount in item 28 payable to:  
 STATE COMPTROLLER  
 Mail to: COMPTROLLER OF PUBLIC ACCOUNTS  
 111 E. 17th Street  
 Austin, TX 78774-0100

Field Office no.  
 Date  
 E.O. name User ID

I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief.

sign here Taxpayer or duly authorized agent  
 Phone (Area code and number) (830) 773-1234 Date 4/5/04

For assistance with any Texas Natural Gas Tax problem, call 1-800-252-1384 toll free nationwide. The Austin number is 512-463-4600. (From a Telecommunications Device for the Deaf (TDD) ONLY call 1-800-248-4099 toll free. The Austin number is 512-463-4621.)

# CO-PRODUCTION PROJECT EXEMPTION (TYPE "8")

The Railroad Commission will determine if a well is within a Co-Production Project and will issue a final order designating a field as being a Co-Production Project. An application for approval of the Co-Production Project had to be filed with the Railroad Commission before January 1, 1994.

The exemption for co-production leases expired August 31, 2001. Any production for September 2001 and later will be taxed at the full rate of 7.5 percent. Resume reporting these co-production leases using a lease type "1" for oil or a lease type "2" for gas leases.

**NOTE:** A "worked over" lease may not be eligible for the exiting exemption under the old lease number. Taxpayer should verify with the Railroad Commission to determine if the new lease qualifies for the existing exemption. A new application with both the Railroad Commission and the Comptroller's office may be required.

See the examples on the following page for filing amended reports

## Quick Reference: Co-Production Project (Type "8")

<b>Effective Date</b> .....	September 1, 1993
<b>Length of Exemption</b> .....	Beginning date of the project through August 31, 2001, but not before September 1, 1991.
<b>Certification</b> .....	The Texas Railroad Commission will certify a field as a co-production project. The application must be on file with the Railroad Commission by January 1, 1994.
<b>Comptroller's Application</b> .....	Taxpayers must complete the application (form AP-158) for each well in the field and attach a copy of the final order from the Texas Railroad Commission, which must be submitted to the Comptroller's office.
<b>Rate of Exemption</b> .....	100%
<b>Gas Taxes Exempt</b> .....	Taxpayers are exempt from the natural gas production taxes.
<b>Condensate</b> .....	NOT Exempt
<b>Oil Field Clean-up Regulatory Fee</b> .....	NOT Exempt
<b>Natural Gas Report</b> .....	Taxpayers will report exempt leases with a lease type "8" with corresponding self-check digit. The approved lease number will be listed on your approval from the Comptroller's office. Volumes and Gross value should be reported in blocks 11 & 12, but the "Net taxable value" Block 16 will be zero ("0").
<b>Recovery of Taxes Paid</b> .....	To receive a credit for taxes paid prior to approval by the Comptroller's office, amendments must be filed within one year (1yr) of the Comptroller's application (AP-180) signature date. Taxes paid in excess, after the Comptroller approval date, may be recouped by filing amended reports within the four year (4yr) statute of limitations.



**EXAMPLE OF AMENDED REPORT WITH TYPE "8" EXEMPTION (FORM #10-145)**



10-145 TEXAS NATURAL GAS -  
(Rev. 1-04/22) AMENDED REPORT

01

a. T Code  Pur/Proc  11120  
 Mo. Prod  11220  
 00990  1124  Ann. Prod.  11320

Do not write in the space above

Page 1 of 1

c. Taxpayer number  
12345678901

d. Filing Period August 2001 e. (yy/mm) 0108

f. Taxpayer name and mailing address  
**The Perfect Oil & Gas Company**  
 711 Lucky Street  
 Austin, TX 123456

- PLEASE TYPE ALL INFORMATION
- TYPE IN WHITE AREAS ONLY
- USE DOLLARS AND CENTS WHERE APPLICABLE
- SEE INSTRUCTIONS ON REVERSE SIDE

USE THIS FORM TO REPORT ADJUSTMENTS OR SUPPLEMENTS TO YOUR ORIGINAL REPORT.  
 ENTER NET ADJUSTMENT AMOUNTS FOR ITEMS TO BE CORRECTED AND CORRECT AMOUNTS  
 FOR ITEMS THAT WERE OMITTED ON YOUR ORIGINAL REPORT.

**OIL FIELD CLEAN-UP REGULATORY FEE**

4A.	5A.	6A.	7A.	8A.	9A.	10A. Gross taxable fee volume
					X <input type="checkbox"/> 0	(25,000)
11A. Net taxable fee volume	12A.	13A.	14A.	15A.	16A.	
(25,000)	(8.32)	X <input type="checkbox"/> 0				

1. Lease name (as recorded with the Texas Railroad Commission) <b>Sunshine Lease #404</b>			2. County of production <b>Reagan</b>		3. Other party name <b>Luna Oil &amp; Gas Corp.</b>	
4. Commodity <b>RG</b>	5. Type <b>1</b>	6. County code <b>192</b>	7. Lease no./Self-check digit <b>125874 3</b>	8. Other party number <b>18765432198</b>	9. Are you the lease operator? <input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0	10. Total lease vol/tax rate <b>(25,000)</b>
11. Your volume <b>(25,000)</b>	12. Value of your volume <b>87,500.00</b>	13. Are you liable for tax? <input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0	14. Exempt value <b>(300.00)</b>	15. Marketing costs <b>(2,000.00)</b>	16. Net taxable value/tax due <b>(85,200.00)</b>	

1. Lease name (as recorded with the Texas Railroad Commission) <b>Sunshine Lease #404</b>			2. County of production <b>Reagan</b>		3. Other party name <b>Luna Oil &amp; Gas Corp.</b>	
4. Commodity <b>RG</b>	5. Type <b>1</b>	6. County code <b>192</b>	7. Lease no./Self-check digit <b>125874 6</b>	8. Other party number <b>18765432198</b>	9. Are you the lease operator? <input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0	10. Total lease vol/tax rate <b>25,000</b>
11. Your volume <b>25,000</b>	12. Value of your volume <b>87,500.00</b>	13. Are you liable for tax? <input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0	14. Exempt value <b>300.00</b>	15. Marketing costs <b>2,000.00</b>	16. Net taxable value/tax due <b>0.00</b>	

i. T Code <input type="checkbox"/> Pur/Proc <input checked="" type="checkbox"/> 11130 <input checked="" type="checkbox"/> Mo. Prod <input checked="" type="checkbox"/> 11230 <input type="checkbox"/> Ann. Prod <input checked="" type="checkbox"/> 11330		<u>ADJUSTMENT SUMMARY AND TAX COMPUTATION</u>	
		<i>PLEASE TYPE</i>	
17. Total net taxable value of condensate		0.00	
18. Total net taxable value of gas		(85,200.00)	
19. Tax due on condensate (Multiply Item 17 by .046)		0.00	24. Total tax and fee due (Item 19 plus Item 23)
20. Tax due on gas (Multiply Item 18 by .075)		(6,390.00)	25. Enter overpayments (Attach "Transfer of Previous Payment")
21. Regulatory fee due (Enter fee amount from Item 11A)		(8.32)	26. Net amount due (Item 24 minus Item 25)
22. Tax due on type 5 leases		0.00	27. Late filing penalty and interest (See instructions)
23. Amount of tax & fee due on gas (Total of Item 20, 21, and 22)		(6,398.32)	28. TOTAL AMOUNT DUE AND PAYABLE (Item 26 plus Item 27)
			(6,398.32)

Make the amount in Item 28 payable to:  
 STATE COMPTROLLER  
 Mail to: COMPTROLLER OF PUBLIC ACCOUNTS  
 111 E. 17th Street  
 Austin, TX 78774-0100

Field Office no.  
 Date  
 E.O. name  
 User ID

I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief.  
 Taxpayer or duly authorized agent  
**sign here**  
 Phone (Area code and number) (830) 773-1234 Date 4/5/04

For assistance with any Texas Natural Gas Tax problem, call 1-800-252-1384 toll free nationwide. The Austin number is 512-463-4600. (From a Telecommunications Device for the Deaf (TDD) ONLY call 1-800-248-4099 toll free. The Austin number is 512-463-4621.)



## INCREMENTAL PRODUCTION EXEMPTION (TYPE "9")

In 1997, the Legislature created a 50% natural gas severance tax credit on the incremental production CERTIFIED by the Railroad Commission on oil leases with marginal casinghead gas production. This exemption will last for five years starting on the first (1st) month that incremental production is certified, but not before September 1, 1997.

To qualify, a lease must first be certified as producing an average of 7 or less BOE (barrel of oil equivalents) per well per day. The BOE takes into account both the oil and casinghead gas production, with 6mcf (thousand cubic feet) of gas being equivalent to one barrel of oil. This average is calculated by dividing the sum of the lease production during the four highest months of production from January 1, 1996, through December 31, 1996, by the number of well days. A well day is one well producing for one day.

Once the average is met, then an incremental production technique must be implemented to increase production. An incremental production technique is defined as any secondary or tertiary production enhancement technique or a \$5000 expenditure in a primary production enhancement technique. The incremental production required to certify a lease must occur for four out of five consecutive months, after September 1, 1997, and before December 31, 1998.

When the qualifications are met, the operator may apply to the Texas Railroad Commission with proof of INCREMENTAL PRODUCTION above the average 7 or less barrels per well per day. The application to the Texas Railroad Commission had to be made before February 11, 1999. Once certified, the Texas Railroad Commission will issue

a commission-certified incremental ratio. The operator will then apply to the Comptroller's office for the tax credit using form AP-158.

The incremental ratio will be used to determine the incremental production from the lease. This is done by multiplying the total barrels produced on the lease for the reporting period by the incremental ratio. The amount left after subtracting the incremental production from the total barrels produced is the baseline production. The baseline production is not exempt. Only the incremental production receives the 50% exemption.

Once the Comptroller approves the lease, the exemption applies for five years unless the average taxable price of crude oil reaches \$25.00 per barrel (adjusted to 1997 dollars) for three consecutive months. If this occurs, the incremental production tax credit will be suspended until the average price drops below \$25.00 per barrel (adjusted to 1997 dollars) for three consecutive months.

The incremental production (total production times the incremental ratio) will be reported on the natural gas report with a lease type of "9", and the "net taxable value" will be reported at 50% of the "value of your volume". The baseline production (total production minus incremental production) will be reported on a separate line with a lease type of "1" and the "net taxable value" at 100% of the "value of your volume".

See the examples on the following page for filing monthly and amended reports.

**Quick Reference: Incremental Production (Type "9")**

<b>Effective Date</b> .....	September 1, 1997
<b>Length of Exemption</b> .....	Five years starting on the first month that incremental production occurs, but not before September 1, 1997.
<b>Certification</b> .....	When the qualifications are met, the operator may apply to the Texas Railroad Commission with proof of incremental production above the average 7 or less barrels per well per day. This application had to be on filed with the Railroad Commission before February 11, 1999. The Railroad Commission will issue a certification letter that contains the incremental ratio.
<b>Ending/Suspension Date</b> .....	December 1, 2000 <b>NOTE: This exemption was suspended beginning with the production period of December 1, 2000 through the production period of May, 2001.</b>
<b>Reinstatement Date</b> .....	June 1, 2001 The Comptroller's records show that the average price of crude oil, adjusted to 1997 dollars fell below \$25 per barrel for the reporting months of March, April and May 2001. As provided by Texas Tax Code §202.057c, the "Tax Credit for Incremental Production Techniques" will be reinstated. Taxpayers can amend beginning with production period of June 2001. <b>NOTE: The "Tax Credit for Incremental Production Techniques" will be suspended if the Comptroller's Average Price of Crude Oil, adjusted to 1997 dollars, rises above \$25 per barrel for three consecutive reporting months. Taxpayers will be notified if the credit is suspended.</b>
<b>Comptroller's Application</b> .....	The application form (AP-158), must be submitted with a copy of the commission-certified incremental ratio, issued by the Texas Railroad Commission.
<b>Rate of Exemption</b> .....	<b>50% on the incremental production only.</b>
<b>Gas Taxes Exempt</b> .....	Taxpayers have a 50% exemption from the natural gas production taxes on the incremental value.
<b>Condensate</b> .....	<b>NOT Exempt/Not Applicable</b>
<b>Regulatory Fee</b> .....	<b>NOT Exempt</b>
<b>Natural Gas Report</b> .....	Taxpayers will report exempt leases with a lease type "9" with corresponding self-check digit. The approved lease number will be listed on your approval from the Comptroller's office. The net taxable value in Block 16 will equal 50% of Block 12, less Blocks 14, & 15. A baseline value must be reported at 100% taxable value.
<b>Recovery of Taxes Paid</b> .....	Taxpayer must file amended reports to recover a credit for exempt taxes paid prior to the Comptroller's approval date no later than the first anniversary after the Railroad Commission's certification of the incremental ratio. Periods after the approval signature date must be amended within the four-year statute of limitations.

**NOTES FOR REPORTING INCREMENTAL PRODUCTION TAX EXEMPTION ON AN ORIGINAL REPORT (SEE EXAMPLE ON NEXT PAGE)**

**Lease Information:**

- Total Volume:..... 22,000
- Total Value: ..... \$66,000.00
- Price Per MCF: ..... \$3.00
- Exempt Value:..... \$0.00
- Marketing Cost Value:..... \$15,000.00
- Railroad Commission (RRC) Incremental Ratio:..... .192

The incremental production tax exemption portion must be reported separately from the lease “Type 2.”

To calculate the incremental production tax exemption portion that needs to be reported:

**Step 1:** Determine the volume of gas that qualifies for the incremental production tax exemption.

Multiply “Your Volume” times the RRC Incremental Ratio:  
 $22,000 \times .192 = 4,224$

**Step 2:** Determine the value of your volume that qualifies for the incremental tax exemption.

Multiply the volume that qualifies for the incremental tax exemption times the price per MCF:  
 $4,224 \times \$3.00 = \$12,672.00$

**Step 3:** If the exempt value and/or marketing cost value are reported, multiply these values times the incremental ratio.

$\$15,000.00 \times .192 = \$2,880.00$

**Step 4:** Subtract the value of your volume indicated in Block 12 from the exempt value and marketing cost value to determine the full net taxable value.

$\$12,672.00 - \$2,880.00 = \$9,792.00$

**Step 5:** Divide the full net taxable value by 2 and report this value in Block 16.

$\$9,792.00 \div 2 = \$4,896.00$



**EXAMPLE OF AMENDED REPORT WITH TYPE "9" EXEMPTION (FORM #10-145)**

10-143 TEXAS REPORT OF NATURAL GAS (Rev. 9-03/23) 01

a. T Code  PUR/PROC ■ 11100  PRODUCER ■ 11200

■ 00990 ■ 1124

Do not write in the space above Page 1 of 1

c. Taxpayer number **1-23-4567891-2** **REPORT MUST BE FILED EVEN IF NO TAX IS DUE** d. Filing period **March 2002** e. (yy/mm) **0203**

f. Taxpayer name and mailing address **The Perfect Oil & Gas Company  
711 Lucky Street  
Austin, TX 78728**

g. Due date of this report **May 20, 2002**

• USE DOLLARS AND CENTS WHERE APPLICABLE  
• DO NOT TYPE IN SHADED AREAS  
• SEE INSTRUCTIONS ON REVERSE SIDE

PLEASE TYPE

NOTE: If Item 13 for any lease is "NO," DO NOT complete Items 14, 15 and 16 for that lease.

<b>OIL FIELD CLEAN-UP REGULATORY FEE</b>									
4A. Commodity FE	5A. 8	6A. 0	7A. 000	8A. 000000	9A. 0	10A. Gross taxable fee volume <b>22,000</b>			
11A. Net taxable fee volume <b>22,000</b>	12A. 000	13A. X	14A. 0	15A. 000	16A. 000				

1. Lease name (as recorded with the Texas Railroad Commission) <b>Verna Lease #6</b>			2. County of production <b>Stephens</b>		3. Other party name <b>Bright Trading &amp; Transportation Corp.</b>	
4. Commodity <b>RG</b>	5. Type <b>1</b>	6. County code <b>215</b>	7. Lease no./Self-check digit <b>015341</b>	8. Other party number <b>31654365430</b>	9. Are you the lease operator? <input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0	10. Total lease vol./tax rate <b>17,776</b>
11. Your volume <b>17,776</b>	12. Value of your volume <b>53,328.00</b>	13. Are you liable for tax? <input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0	14. Exempt value	15. Marketing costs <b>12,120.00</b>	16. Net taxable value/tax due <b>41,208.00</b>	

1. Lease name (as recorded with the Texas Railroad Commission) <b>Verna Lease #6</b>			2. County of production <b>Stephens</b>		3. Other party name <b>Bright Trading &amp; Transportation Corp.</b>	
4. Commodity <b>RG</b>	5. Type <b>9</b>	6. County code <b>215</b>	7. Lease no./Self-check digit <b>015341</b>	8. Other party number <b>31654365430</b>	9. Are you the lease operator? <input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0	10. Total lease vol./tax rate <b>4,224</b>
11. Your volume <b>4,224</b>	12. Value of your volume <b>12,672.00</b>	13. Are you liable for tax? <input checked="" type="checkbox"/> YES 1 <input type="checkbox"/> NO 0	14. Exempt value	15. Marketing costs <b>2,880.00</b>	16. Net taxable value/tax due <b>4,896.00</b>	

j. T Code  PUR/PROC ■ 11110  PRODUCER ■ 11210

**REPORT TOTALS AND TAX COMPUTATION**

PLEASE TYPE

17. Total net taxable value of condensate	<b>0.00</b>	24. Total tax and fee due (Item 19 plus Item 23)	<b>3,465.12</b>
18. Total net taxable value of gas	<b>46,104.00</b>	25. Enter overpayments (Attach "Transfer of Previous Payment")	<b>0.00</b>
19. Tax due on condensate (Multiply Item 17 by )	<b>0.00</b>	26. Net amount due (Item 24 minus Item 25)	<b>3,465.12</b>
20. Tax due on gas (Multiply Item 18 by )	<b>3,457.80</b>	27. Late filing penalty and interest (See instructions)	<b>0.00</b>
21. Regulatory fee due (Multiply Item 11A by )	<b>7.32</b>	28. TOTAL AMOUNT DUE AND PAYABLE (Item 26 plus Item 27)	<b>3,465.12</b>
22. Tax due on type 5 leases	<b>0.00</b>		
23. Amount of tax & fee due on gas (Total of Items 20, 21 and 22)	<b>3,465.12</b>		

Make the amount in Item 28 payable to: STATE COMPTROLLER  Mail to: COMPTROLLER OF PUBLIC ACCOUNTS 111 E. 17th Street Austin, TX 78774-0100	Field Office no. Date E.O. name      User ID	I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief. Taxpayer or duly authorized agent Phone (Area code and number) <b>(512) 123-4567</b> Date <b>05/05/04</b>
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For assistance with any Texas Natural Gas Tax problem, call 1-800-252-1384 toll free nationwide. The Austin number is 512-463-4600 (from a Telecommunications Device for the Deaf (TDD) ONLY call 1-800-249-4099 toll free. The Austin number is 512-463-4621.)



# TEXAS EXPERIMENTAL RESEARCH AND RECOVERY ACTIVITY (TERRA) WELL EXEMPTION

## Quick Reference: TERRA Exemption

**Effective Date**..... January 1, 1996

**Length of Exemption**..... A well will be exempt as long as it is in the TERRA program. The well is also exempt if it was in the TERRA program for two years before being removed from the program.

**Certification**..... Taxpayer must obtain certification from the Railroad Commission indicating that the well has been accepted as a TERRA well.

**Comptroller's Application**..... The party responsible for paying the tax must apply to the Comptroller's office for the exemption on an application form (AP-158), with a copy of the certificate issued by the Texas Railroad Commission.

**Rate of Exemption** ..... 100%


**Gas Taxes Exempt** ..... Taxpayers have a 100% exemption from the natural gas production taxes.

**Condensate** ..... **Exempt**

**Regulatory Fee** ..... **Not Exempt**

**Natural Gas Report**..... Taxpayers will report the net taxable value in Block 16 as zero ("0").

**Recovery of Taxes Paid** ..... Within one year of the Texas Railroad Commission's letter of certification date, taxpayers must file amended reports to receive a credit on taxes paid for periods prior to the Comptroller's approval date. For periods after the Comptroller's approval date, amendments must be filed within the four-year statute of limitations.

 AP-180  
(Rev. 3-03/3)

**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 .....	_____
<b>TOTAL DRILLING COSTS .....</b>	<b>_____</b>	<b>TOTAL COMPLETION COSTS .....</b>	<b>_____</b>
<b>TOTAL DRILLING AND COMPLETION COSTS .....</b>		<b>_____</b>	

**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)
<b>sign here</b> ▶	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_____.		
<b>sign here</b> ▶ Approved by	Phone	Date

If you have any questions about this request, returns, or any other Minerals Tax related matter, please call the Texas Comptroller of Public Accounts at 1-800-252-1384 toll free nationwide. The Austin number is 512-463-4600.  
 (From a Telecommunication Device for the Deaf (TDD) ONLY call 1-800-248-4099 toll free. The Austin TDD number is 512-463-4621.)



Form AP-180 (Back)(Rev.3-03/3)

**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.



COMPTROLLER OF PUBLIC ACCOUNTS  
STATE OF TEXAS  
AUSTIN, 78774

The Perfect Oil & Gas Company  
711 Lucky Street  
Austin, TX 78123

Dear Taxpayer:

Your application for a High Cost Gas Exemption Reduced Tax Rate is approved for the lease indicated below. This approval letter should be retained for future reference.

The information below is to be used for filing and calculating your natural gas taxes. The approved Comptroller lease identification number must be used to report your production.

<u>Lease Number*</u>	<u>Signature Date</u>	<u>Median Cost</u>	<u>Reduced Tax Rate</u>	<u>Beginning Date</u>	<u>Ending Date</u>
5-281-166231-0	May 30, 1999	\$707,706	.025	01/01/1998	12/31/2007

\*Please note that the lease type has been changed to a "5" and a new self-check digit has been calculated based on the new lease type.

Since your application was received late, a 10% penalty will apply. This penalty will apply to the production periods beginning May through December, 1999. This will result in a reduction in your refund.

The approved lease qualifies for the reduced tax rate for 120 consecutive months or until the cumulative tax savings is equal to 50% of the drilling and completion costs (reported on the AP-180 application), whichever comes first.

You must file amended returns to recoup taxes paid prior to being approved for the reduced tax rate. The amended returns must be filed within one year of the Comptroller approval date (signature date). Excess taxes paid after the Comptroller approval date may be recouped by filing amended returns within the four-year statute of limitations.

You must keep accurate records of the accumulated tax savings so that you will know when your reduced tax rate expires.

If you have questions, please call the Crude Oil Tax Section of the Account Maintenance Division at 1-800-531-5441, extension, 3-4255 or direct at 512/463-4255. If you're calling from a Telecommunications Device for the Deaf (TDD), the toll free number is 1-800-248-4099, or in Austin, 512/463-4621.

Taxpayer number: 1-23-4567890-1

an equal opportunity employer





AP-158  
(Rev.9-02/12)

b. ■

# TEXAS EXEMPTION APPLICATION

a. Taxpayer number

Under Ch. 559, Government Code, you are entitled to review, request, and correct information we have on file about you, with limited exceptions in accordance with Ch. 552, Government Code. To request information for review or to request error correction, contact us at the address or toll-free number listed on this form.

c. Operator name, contact person and mailing address (Type or print)

d.  T Code ■ **00990**  ■ **1125**  
 ■ **1025**

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

See instructions on reverse side.

- e.  Three-year inactive well exemption  Enhanced oil recovery project  
 Two-year inactive well exemption  Incremental production well exemption  
 TERRA exemption  Flared/released casinghead gas exemption

f. Lease and/or well name •		g. County of production		
h. RRC District	i. Lease number	j. Certification effective month (yy/mm)	k. RRC Certification Date	l. RRC Incremental Ratio
	•	•	•	•

The following line applies to enhanced oil recovery projects only.

m. Type of project <input type="checkbox"/> 2 Secondary <input type="checkbox"/> 3 Tertiary	n. RRC H-12 approval date	o. RRC certification date of positive or incremental production	p. RRC H-13 action date	q. Project name	r. RRC project number
		•	•	•	•

I declare that the information in this document is true and correct to the best of my knowledge and belief.

Taxpayer or duly authorized individual 	Daytime phone (Area code and number)	Date
--	--------------------------------------	------

**FOR COMPTROLLER USE ONLY**

Your exemption application is approved.

For reporting purposes:

Your Crude Oil Lease Number is •

For reporting purposes:

Your Natural Gas Lease Number is

For the incremental production well and enhanced oil recovery project exemptions, to recover taxes paid for periods prior to the Comptroller's signature date, amendments must be postmarked within one year from the **Texas Railroad Commission certification date**. All periods must be filed within the four-year statute of limitations.

COMPTROLLER'S APPROVAL: The production from this well is approved for exemption from severance tax beginning with the production month of \_\_\_\_\_, \_\_\_\_\_ and ending \_\_\_\_\_, 20 \_\_\_\_\_.

Your flared/released casinghead gas exemption begins \_\_\_\_\_, \_\_\_\_\_ and is for the life of the well.

Approved by 	Phone	Date
-----------------	-------	------

**FOR ASSISTANCE** – If you have any questions about this request, returns, or any other Crude Oil and Natural Gas Tax related matter, please call the Texas State Comptroller's Office at 1-800-252-1384 toll free nationwide. The Austin number is 512-463-4600. (From a Telecommunication Device for the Deaf (TDD) ONLY call 1-800-248-4099 toll free. The Austin TDD number is 512-463-4621.)



Form AP-158 (Back)(Rev.9-02/12)

**SPECIFIC INSTRUCTIONS**

- Item f Lease and/or Well Name** Type the lease or well name as documented by the Texas Railroad Commission (RRC).
- Item g County of Production** Type the county name of the lease or well as documented by the RRC.
- Item h RRC District** Type the district number as documented by the RRC.
- Item i Lease Number** Type the lease identification number assigned by the RRC.
- Item j Certification Effective Month** Type the month indicated on your RRC Certification Letter.

*In addition to a - j, complete items k and l if you are applying for an Incremental Production Well Exemption.*

- Item k RRC Certification Date** Type the date indicated on your RRC Certification Letter.
- Item l RRC Incremental Ratio** Type the incremental ratio as documented by the RRC.

*In addition to a-j, complete the following for Enhanced Oil Recovery Projects Only:*

- Item m Type of Project** Check the type of recovery method as designated by the RRC.
- Item n RRC H-12 Approval Date** Type the date indicated on your RRC Enhanced Oil Recovery Project and Area Designation Approval Letter.
- Item o RRC Certification Date of Positive or Incremental Production** Type the RRC Certification Date of approval. (mmdyy)
- Item p RRC H-13 Action Date** Type date indicated on your RRC Enhanced Oil Recovery Project and Area Designation Approval Letter.
- Item q Project Name** Type the project name as documented by the RRC.
- Item p RRC Project Number** Type the project number as designated by the RRC.

**GENERAL INSTRUCTIONS**

*Except for TERRA wells, condensate from gas wells is not exempt from severance tax.*

<u>Exemption Type</u>	<u>Documentation Required</u>
Two-Year Inactive Well	} RRC Certification Letter
Three-Year Inactive Well	
TERRA Well	
Flared/Released Casinghead	
Incremental Production	
Enhanced Oil Recovery Project	RRC Enhanced Oil Recovery Project and Area Designation Approval <b>and</b> either the Certificate of Positive Production Response <b>or</b> an expansion, proof that incremental production has occurred.



# **NATURAL GAS PAYMENT FORMS**

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**Application of Payment  
Transfer of Previous Payment  
Natural Gas Tax Interest Rates**



# NATURAL GAS APPLICATION OF PAYMENT FORM

The *Natural Gas Application of Payment* form (#10-148) is used only when a payment is made with an actual check or money order.

**The *Application of Payment* form distributes payment(s) on:**

- report period(s) written on the form;
- liabilities indicated on the monthly and amended reports; and
- penalty and interest liabilities.

The *Application of Payment* form is **not** to be used:

- for credit amounts
  - If amended reports consist of different periods reflecting credits and liabilities, then the credits can

be transferred to offset the liabilities. This is done by properly completing and submitting a *Natural Gas Transfer of Previous Payment* form (#10-147). (See Example on page 74.)

- If a liability remains after the offset, then a check or money order must be submitted with a properly completed *Application of Payment* form (#10-148). (See Example on page 72.)

or

- when a payment is sent by Electronic Fund Transfer (EFT).
  - However, the *Application of Payment* form can be used by EFT taxpayers only when an actual check is sent.

## Instructions for the Application of Payment Form

The following must be indicated on the *Application of Payment* form:

**Block "c"** The natural gas taxpayer number.

**Block "d"** The natural gas taxpayer's name and address.

**Block "e"** The grand total of payment of the current and prior period(s). This amount must equal to the amount of the check or money order.

**Line "f"** **Block "1"** The filing period shown in a year and month format (YYMM) for the current period.  
**Block "2"** The amount paid for the current period.

**Line "g"** **Block "1"** The filing period shown in a year and month format (YYMM) for prior period(s).  
**Block "2"** The amount paid for prior period(s).  
**Block "3"** Do not write in this area.

**Block "h"** The grand total of payment of the current and prior period(s). This amount must equal to the amount of the check or money order.

**NOTE:** If a check or money order contains payments for more than seven prior reporting periods, then another *Application of Payment* form (#10-148) must be attached to list the additional periods. Each additional *Application of Payment* (#10-148) form must show the page number (i.e. "Page 1 of 3") and the total of each page must be indicated separately in Block "h".

**EXAMPLE OF APPLICATION OF PAYMENT (FORM # 10-148)**

10-148  
(Rev.3-03/11)

b. ■

**FORM 10-148**  
**NATURAL GAS APPLICATION OF PAYMENT**  
**(BY CHECK OR MONEY ORDER)**

c. Taxpayer number

Under Ch. 559, Government Code, you are entitled to review, request, and correct information we have on file about you, with limited exceptions in accordance with Ch. 552, Government Code. To request information for review or to request error correction, contact us at the toll-free number listed on this form.

d. Taxpayer name and mailing address  
**The Perfect Oil & Gas Company**  
**711 Lucky Street**  
**Austin, Texas 78745**

- **This form is not to be used when payment is made by Electronic Funds Transfer (EFT).**
- **Credits should not be listed on this form. Use form 10-147.**
- **Use this form when paying by check or money order for two or more reporting periods.**
- **Do not write in shaded areas.**

e. TOTAL AMOUNT PAID BY CHECK OR MONEY ORDER  
 \$

f. Apply to current period


a. T CODE	1. FILING PERIOD Year / Month y y m m	2. AMOUNT	3. PM DATE	4.	5. c/c
11020	03 11	\$ 100,000.00		1	

g. Apply to prior periods

a. T CODE	1. FILING PERIOD Year / Month y y m m	2. AMOUNT	3. PM DATE	4.	5. c/c
11020	03 10	25,000.00		2	
	03 09	25,000.00		2	
				2	
				2	
				2	
				2	
				2	1

h. TOTAL OF PAYMENT APPLIED TO CURRENT AND PRIOR PAYMENTS  
 (Amount in lines e and h should be the same)  
 \$

Make check payable to: STATE COMPTROLLER  
 Mail to: COMPTROLLER OF PUBLIC ACCOUNTS  
 111 E. 17th Street  
 Austin, Texas 78774-0100

I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief.  
 Taxpayer or authorized agent  
  
 Business phone \_\_\_\_\_ Date \_\_\_\_\_

For tax assistance call 1-800-252-1384 toll free nationwide, or call 512-463-4600.  
 (From a Telecommunication Device for the Deaf (TDD) ONLY call 1-800-248-4099 toll free, or call 512-463-4621.



# NATURAL GAS TRANSFER OF PREVIOUS PAYMENT FORM

The *Natural Gas Transfer of Previous Payment* form (#10-147) has a dual purpose.

This form:

- distributes credits to reporting periods with liabilities and
- distributes payments for prior periods when using the electronic fund transfer (EFT) method of payment.

## When to File a Transfer of Previous Payment Form

- If an electronic fund transfer, or EFT payment, contains a payment for the current month and payments for prior reporting periods, then a *Transfer of Previous Payment* form must be filed.
- If an amended report reflects a credit amount, then the credit may be used to pay a liability reflected on another reporting period by filing the *Transfer of Previous Payment* form.
- Whenever a credit amount is entered on line 24 of the monthly, annual, and amended report forms, then the *Transfer of Previous Payment* form must also be filed.

## Description of Columns

**COLUMN A** is identified as the “Transfer To” column. This column identifies the reporting period where a liability is to be paid. The reported format in Column A is “YYMM” (year/month). For example, for the August 2004 reporting period, the reported format is “0408”.

Column A has a dual purpose:

1. When distributing credits to filing periods with liabilities, Column A designates the reporting period in which a liability amount currently exists.

2. When using the electronic fund transfer (EFT) method of payment for a current filing period, Column A designates the prior reporting period that is being paid.

*EXAMPLE:* An EFT payment was submitted and applied to the current reporting period of April 2004. This EFT payment also included a payment for penalty and interest assessment for the January 2003 reporting period. To transfer the payment from the current period of September 2004 to the January 2003 period, “0301” is indicated on Column A.

**COLUMN B** designates the dollar amount to be transferred. The amounts in this column must not be shown in brackets or parentheses.

**COLUMN C** is identified as the “Transfer Out” column. This column identifies the reporting period where a payment is to be transferred out. The reported format in Column C is “YYMM” (year/month).

Column C has a dual purpose:

1. When distributing credits to periods with liabilities, Column C designates the reporting period in which a credit amount currently exists.
2. When using the electronic fund transfer (EFT) method of payment, Column C designates the reporting period where the lump sum EFT payment was applied.

*EXAMPLE:* An EFT payment was submitted for the April 2004 period and it included payments for liabilities on prior periods. To transfer the payment from the current period of April 2004 to the prior periods, “0404” is indicated on Column C.

If filing more than one *Transfer of Previous Payment* form, each form must be totaled separately in Block 9.



**EXAMPLE 1: TRANSFER FROM CURRENT EDI TO PRIOR PERIODS**

10-147  
 (Rev. 11-03/14)

b. ■

**FORM 10-147**

**NATURAL GAS TRANSFER OF PREVIOUS PAYMENT (CREDIT)**

c. Taxpayer number  
 17766554432

Under Ch. 559, Government Code, you are entitled to review, request, and correct information we have on file about you, with limited exceptions in accordance with Ch. 552, Government Code. To request information for review or to request error correction, contact us at the toll-free number listed on this form.

d. Taxpayer name and mailing address  
**The Perfect Oil & Gas Company**  
**711 Lucky Street**  
**Austin, Texas 78745**

- Instructions on reverse
- Do not write in shaded area

e. PM date

Use this form to transfer credits from one reporting period to another.

a. T Code ■ 11490

COLUMN A Transfer TO Year / Month	COLUMN B Amount Transferred DO NOT USE BRACKETS	COLUMN C Transfer FROM Year / Month	c / c
y y m m		y y m m	
1. ■ 02   06	\$ ■ 15,000.00	■ 03   09	■
2. 02   07	\$ 757.52	03   09	
3. 02   08	\$ 5,000.00	03   09	
4. 02   12	\$ 25.14	03   09	
5. 03   01	\$ 7,500.29	03   09	
6.	\$		
7.	\$		
8.	\$		1
9. Total Amount Transferred	\$ ■ 28,282.95		

(Each page should be totaled separately)

Mail to: COMPTROLLER OF PUBLIC ACCOUNTS  
 111 E. 17th Street  
 Austin, Texas 78774-0100

I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief.  
 Taxpayer or authorized agent  
**sign here** ▶  
 Daytime phone \_\_\_\_\_ Date \_\_\_\_\_

For tax assistance call 1-800-252-1384 toll free nationwide. The Austin number is 512-463-4600.  
 (From a Telecommunications Device for the Deaf (TDD) ONLY call 1-800-248-4099 toll free. The Austin TDD number is 512-463-4621.)



**EXAMPLE 2: TRANSFER FROM CREDIT AMENDMENTS TO CURRENT PERIOD**

10-147  
 (Rev. 11-03/14)

b. ■

**FORM 10-147**

**NATURAL GAS TRANSFER OF PREVIOUS PAYMENT (CREDIT)**

c. Taxpayer number  
 ■ **17766554432**

*Under Ch. 559, Government Code, you are entitled to review, request, and correct information we have on file about you, with limited exceptions in accordance with Ch. 552, Government Code. To request information for review or to request error correction, contact us at the toll-free number listed on this form.*

d. Taxpayer name and mailing address  
**The Perfect Oil & Gas Company**  
**711 Lucky Street**  
**Austin, Texas 78745**

- **Instructions on reverse**
- **Do not write in shaded area**

e. PM date  
 ■

Use this form to transfer credits from one reporting period to another.

a. T Code ■ **11490**

COLUMN A Transfer TO Year / Month	COLUMN B Amount Transferred <b>DO NOT USE BRACKETS</b>	COLUMN C Transfer FROM Year / Month	c / c
y y m m	\$	y y m m	
1. ■ 03   09	\$ ■ 752.12	■ 02   06	■ □
2. 03   09	\$ 800.00	02   07	□
3. 03   09	\$ 525.19	02   08	□
4. 03   09	\$ 652.12	02   09	□
5. 03   09	\$ 1,000.00	02   10	□
6. 03   09	\$ 10,000.00	02   11	□
7. 03   09	\$ 7,500.36	02   12	□
8. □   □   □   □	\$	□   □   □   □	1
9. Total Amount Transferred	\$ ■ <b>21,229.79</b>		

*(Each page should be totaled separately)*

Mail to: COMPTROLLER OF PUBLIC ACCOUNTS  
 111 E. 17th Street  
 Austin, Texas 78774-0100

I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief.  
 Taxpayer or authorized agent  
**sign here** ▶  
 Daytime phone \_\_\_\_\_ Date \_\_\_\_\_

For tax assistance call 1-800-252-1384 toll free nationwide. The Austin number is 512-463-4600.  
 (From a Telecommunications Device for the Deaf (TDD) **ONLY** call 1-800-248-4099 toll free. The Austin TDD number is 512-463-4621.)



**EXAMPLE 3: TRANSFER FROM ONE TAXPAYER TO ANOTHER TAXPAYER**

10-147  
 (Rev. 11-03/14)

b. ■

**FORM 10-147**

**NATURAL GAS TRANSFER OF PREVIOUS PAYMENT (CREDIT)**

c. Taxpayer number  
 17766554432

*Under Ch. 559, Government Code, you are entitled to review, request, and correct information we have on file about you, with limited exceptions in accordance with Ch. 552, Government Code. To request information for review or to request error correction, contact us at the toll-free number listed on this form.*

d. Taxpayer name and mailing address  
**The Perfect Oil & Gas Company**  
**711 Lucky Street**  
**Austin, Texas 78745**

- **Instructions on reverse**
- **Do not write in shaded area**

e. PM date

Use this form to transfer credits from one reporting period to another.

a. T Code ■ **11490**  
**The Not So Perfect Oil & Gas Company**  
**32004198765**

COLUMN A Transfer TO Year / Month	COLUMN B Amount Transferred DO NOT USE BRACKETS	COLUMN C Transfer FROM Year / Month	c / c
y y m m	\$	y y m m	
1. ■ 03   08	\$ 25,000.00	■ 03   01	■ <input type="checkbox"/>
2. 03   08	\$ 1,000.25	03   02	<input type="checkbox"/>
3. 03   08	\$ 6,500.25	03   03	<input type="checkbox"/>
4. 03   08	\$ 7,500.00	03   04	<input type="checkbox"/>
5. 03   08	\$ 5,896.23	03   05	<input type="checkbox"/>
6. 03   08	\$ 9,568.13	03   06	<input type="checkbox"/>
7. 03   08	\$ 12,589.45	03   07	<input type="checkbox"/>
8.	\$		<input type="checkbox"/> 1
9. Total Amount Transferred	\$ 68,054.31		

*(Each page should be totaled separately)*

**The Perfect Oil & Gas Company**  
**17766554432**

Mail to: COMPTROLLER OF PUBLIC ACCOUNTS  
 111 E. 17th Street  
 Austin, Texas 78774-0100

I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief.  
 Taxpayer or authorized agent  
**sign here**  
 Daytime phone \_\_\_\_\_ Date \_\_\_\_\_

For tax assistance call 1-800-252-1384 toll free nationwide. The Austin number is 512-463-4600.  
 (From a Telecommunications Device for the Deaf (TDD) ONLY call 1-800-248-4099 toll free. The Austin TDD number is 512-463-4621.)



**EXAMPLE 4: TRANSFER FROM ONE TAX TYPE TO ANOTHER TAX TYPE**

10-147  
 (Rev. 11-03/14)

b. ■

**FORM 10-147**

**NATURAL GAS TRANSFER OF PREVIOUS PAYMENT (CREDIT)**

c. Taxpayer number  
 ■ 17766554432

*Under Ch. 559, Government Code, you are entitled to review, request, and correct information we have on file about you, with limited exceptions in accordance with Ch. 552, Government Code. To request information for review or to request error correction, contact us at the toll-free number listed on this form.*

d. Taxpayer name and mailing address  
**The Perfect Oil & Gas Company**  
**711 Lucky Street**  
**Austin, TX 78745**

- **Instructions on reverse**
- **Do not write in shaded area**

e. PM date  
 ■

Use this form to transfer credits from one reporting period to another.

a. T Code ■ 11490

**TO  
 CRUDE OIL TAX**

COLUMN A Transfer TO Year / Month	COLUMN B Amount Transferred DO NOT USE BRACKETS	COLUMN C Transfer FROM Year / Month	c / c
y y m m	\$	y y m m	
1. ■ 03   11	\$ ■ 3,250,000.00	■ 04   01	■
2.	\$		
3.	\$		
4.	\$		
5.	\$		
6.	\$		
7.	\$		
8.	\$		1
9. Total Amount Transferred	\$ ■ 3,250,000.00		

**FROM  
 NATURAL GAS TAX**

*(Each page should be totaled separately)*

Mail to: COMPTROLLER OF PUBLIC ACCOUNTS  
 111 E. 17th Street  
 Austin, Texas 78774-0100

I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief.  
 Taxpayer or authorized agent  
**sign here**  
 Daytime phone \_\_\_\_\_ Date \_\_\_\_\_

For tax assistance call 1-800-252-1384 toll free nationwide. The Austin number is 512-463-4600.  
 (From a Telecommunications Device for the Deaf (TDD) ONLY call 1-800-248-4099 toll free. The Austin TDD number is 512-463-4621.)

**INSTRUCTIONS**

- Item c / c** – This shaded area is for Comptroller’s use only.
- Item c** – Enter the eleven-digit taxpayer number.
- Item d** – Enter the taxpayer’s name and mailing address.
- Item e** – This shaded area is for Comptroller’s use only.
- Column A** – Enter the Year / Month to which the credit is to be transferred.
- Column B** – Enter the amount of the credit to be transferred. DO NOT BRACKET AMOUNTS.
- Column C** – Enter the Year / Month from which the credit is to be transferred.  
DO NOT ENTER ON A SINGLE LINE THE SAME YEAR / MONTH IN COLUMNS A AND C.
- Item 9** – Enter the total amount of credits to be transferred in Column B. Each page should be totaled separately.

**SPECIAL CONDITIONS**

To transfer credits between natural gas and crude oil accounts that have the **same** taxpayer identification numbers—

Indicate the transfer in the blank space to the left of Column A.

EXAMPLE: from natural gas to crude oil.

# INTEREST/CREDIT INTEREST INFORMATION ON NATURAL GAS TAX

As a result of Senate Bill 1321 that the Texas Legislature passed during its 76th Regular Session, Credit Interest could be paid, if applicable, for filing periods due on or after January 1, 2000. To inquire on Senate Bill 1321, see the Texas Legislature online Web site at <http://www.capitol.state.tx.us>.

Effective each January on the first business day of the calendar year, the interest rate is subject to change based on the US Prime Rate plus 1 percent, as published in *The Wall Street Journal* on that day.

- This interest rate will apply to both liabilities and overpayments.
- The first filing period that is eligible for Credit Interest on natural gas is November 1999, due January 20, 2000.
- The Comptroller must send you a 1099 if you earned more than \$600 in credit interest and your business type is not a corporation. Contact the Internal Revenue Service about income tax reporting requirements.
- A natural gas tax history of Credit Interest earned from any reporting periods can be ordered upon request by calling 1-800-531-5441, extension 3-4485.
- For the current rates call:  
1-877-44RATE4 (1-877-447-2834).

## Tips on Credit Interest for Transfer of Payments

1. Money transferred from a filing period in adjustment notice status (reporting errors) WILL NOT earn Credit Interest.

When the adjustment notice is cleared, Credit Interest may apply.

2. Credit Interest begins to accrue on the 61st day of the postmark date of the last payment(s) that created the overpayment, or the due date of the filing period “from” which the transfer of payment is coming, whichever is later.

Credit interest is calculated through the process date of the transfer or the due date of the filing period “to” which the transfer of payment is going, whichever is earlier.

3. The Comptroller’s records MUST reflect a credit amendment before the transfer of payment is processed. Otherwise, the following situations will occur:

- Credit Interest will not be paid for the transfer-requested amount.
- Credit Interest may only calculate on a portion of the transfer amount based on what is currently reflected on the Comptroller’s records.

4. Credit Interest is NOT paid on money transferred back to an earlier filing period.

If money has previously earned Credit Interest and is transferred back to an earlier period, then the transfer “from” filing period will create a liability.

*NOTE:* The liability created will be Credit Interest previously earned on earlier filing periods, charged back to your account.

5. Money coded as “CRI” on the Comptroller’s payment records is credit interest earned and will not generate additional credit interest.
6. Credit Interest payment(s) receives the postmark date of the day on which it processes.

## Tips on Credit Interest for Refunds

1. Prior to issuance of a refund on natural gas tax, the account must be cleared of all liabilities.

All filing periods that are involved in the refund must be cleared from adjustment notice status.

2. Credit Interest calculation begins on the later of 61 days after the postmark date of the last payment(s) that creates the overpayment or the due date of the filing period, whichever is later, through the process date of the refund request.



# HOW TO CALCULATE INTEREST/CREDIT INTEREST

## Formula for Calculating Interest/Credit Interest

### Tax Due or Credit Amount

(x) times the **Interest Ratio** ( $\text{Interest Rate} \div 100$ )

( $\div$ ) divided by **Days in the Calendar Year**

(x) times **Number of Days Subject to Interest**

(=) equals **Interest or Credit Interest**.

## Applicable Interest Rates

YEAR	RATE
2000	9.50%
2001	10.50%
2002	5.75%
2003	5.25%
2004	5.00%

## Example

For the year 2000:

- Filing period January 2000 has a original payment of \$10,000 postmarked March 20, 2000, and later a credit amendment is filed for \$500.
- You are transferring this \$500 credit from January 2000 to October 2000 filing period.
- The postmark of your \$10,000 payment and due date of the filing period is the same: March 20, 2000.
- You are transferring \$500 credit "TO" the October 2000 filing period, (due date is December 20, 2000).
- The interest for year 2000 is 9.5 percent.
- The rule says to add 61 days to your payment or due date, whichever is later.
- In this case, add 61 days to March 20, 2000, payment on the transfer "FROM" period, January 2000. The first day of interest begins May 20, 2000.
- The number of days for May 20, 2000 (1st day of interest) through December 20, 2000 (due date of the "TO" period) is 215 days.
- $9.5\% \div 100 = .095$ ; this is your interest ratio.

## Result

	\$500	(Credit Amount)
x	.095	(Interest Ratio)
	\$47.50	
$\div$	366	(Days in Calendar Year 2000)
	.1297814	
x	215	(Number of Days Subject to Interest)
=	\$27.90	(Credit Interest)



# **NOTICES ISSUED**



# NOTICES ISSUED

When a natural gas tax account has an outstanding balance for a specific reporting period, generation of an underpayment notice occurs. Each notice includes a mini-history which shows all the payments, transfer-in(s), and transfer-out(s) for the specific period. The mini-history lists necessary information for the reconciliation process.

**NOTE:**

**The Comptroller's office has the responsibility of processing taxpayer reports, payments, and transfer of payment forms. However, the taxpayer has the burden of checking the validity of any underpayment notice or Notice of Tax Due. If the underpayment listed on the notice is invalid, the Comptroller's office must be notified for correction.**

**It is necessary for the taxpayer to maintain knowledge of all outstanding credit balances. To keep up with the reconciliation process, it is advisable for taxpayers to order periodically a "collection history" of the outstanding balances.**

All notices are issued once the corrections on all adjustment notices for the specific reporting period are processed. This only occurs if the reporting period is within the four-year statute of limitation. The following notices may be issued.

## Underpayment Notice

---

Indicates the tax, penalty, and interest assessment for a specific reporting period. This notice also indicates the daily interest assessment, if any.

## Notice of Tax Due

---

Indicates the tax, penalty, and interest assessment for a specific reporting period. The Notice of Tax Due is also called

a Deficiency Determination and is a legal document. This notice indicates the daily interest assessment, if any.

Thirty days are given to the taxpayer to resolve the liability indicated on the Notice of Tax Due. After thirty days from the issue date of the notice, the Notice of Tax Due becomes final.

- The Taxpayer Rights Summary, located at the bottom of the Notice of Tax Due, presents possible collection action taken by the Comptroller's office if the liability is not satisfied. Actions taken occur after the final date indicated on the Notice of Tax Due.
- The Summary of Procedures for Handling Disagreements, located on the back of the Notice of Tax Due, explains two options for handling the disagreement with the Notice of Tax Due.

**NOTE:**

**Once the Notice of Tax Due occurs, the outstanding liability balance on this notice holds until the liability is reduced to a zero balance. This applies regardless if the reporting period is within the four-year statute of limitation, or if the reporting period is past the four-year statute of limitation.**

## Tax Statement of Account

---

Indicates the tax, penalty, and interest assessment after the issuance of a prior Notice of Tax Due. The issuance of this notice occurs when an existing liability balance remains after processing a payment, transfer-in, or transfer-out from a previously issued Notice of Tax Due. The daily interest assessment is also indicated, if any.

# EXAMPLES OF NOTICES ISSUED

The following pages include examples of the types of notices issued with the mini-histories and calculation formats of penalty and interest assessments. The calculation format for penalty and interest assessments is provided only upon request from the taxpayer.

## **Example 1**

- *Underpayment Notice* (Form #00-206)
- Mini-History of Natural Gas Tax for the Underpayment Notice

## **Example 2**

- *Notice of Tax Due* (Form #00-214)
- Mini-History of Natural Gas Tax for Notice of Tax Due

## **Example 3: Tax Statement of Account**

- *Tax Statement of Account* (Form #00-206)
- Mini-History of Natural Gas Tax for *Tax Statement of Account*

**EXAMPLE OF UNDERPAYMENT NOTICE (FORM #00-206)**

00-206  
(Rev. 7-95/5)

TCODE  
11020

**STATE OF TEXAS**

01-09-2004

**TAX STATEMENT OF ACCOUNT**

\$94.60

UNDERPAYMENT

**The Perfect Oil & Gas Company**  
123 Lucky Street  
Austin, TX 12345

TAXPAYER NUMBER

1-23-4567891-0

COLLECTION RECORD NO. 0304  
OR PERIOD ENDING

Enter amount of payment

\$

PLEASE DETACH UPPER PORTION AND RETURN  
WITH ANY CORRESPONDENCE OR PAYMENT. \*PMD

\*1

TAXPAYER NO. 1-23-4567891-0

REPORT

PERIOD ENDING 0304

AN EXAMINATION OF YOUR NATURAL GAS TAX RECORDS HAS BEEN MADE FOR  
THE REASON LISTED BELOW.

YOUR ACCOUNT BALANCE FOR THE PERIOD 04-01-2003 THROUGH 04-30-2003 IS  
COMPUTED AS FOLLOWS:

BALANCE AS OF 01-09-2004

TAX DUE-----	\$	25,251.44
PENALTY-----	\$	94.42
INTEREST-----	\$	0.27
LESS PAYMENTS		
APPLIED-----	\$	25,251.53
TOTAL AMOUNT DUE-----	\$	94.60

IF PAID AFTER 01-09-2004 ADD INTEREST OF \$0.00 PER DAY  
THROUGH 12/31/2004, ON 01/01/2005 THE INTEREST PER DAY MAY CHANGE.

COMPTROLLER OF PUBLIC ACCOUNTS  
AUSTIN, TEXAS 78774-0100



For help with a state tax question, please refer to the list on back for the appropriate phone numbers.



MINI-HISTORY OF NATURAL GAS TAX FOR THE UNDERPAYMENT NOTICE

PAGE : 1

STATE OF TEXAS  
 COMPTROLLER OF PUBLIC ACCOUNTS  
 TAXPAYER MINI-HISTORY OF NATURAL GAS TAX  
 FOR UNDERPAYMENT NOTICE

TAXPAYER NUMBER: 1-23-4567891-0  
 TAXPAYER NAME: The Perfect Oil & Gas Company  
 MAILING ADDRESS: 123 Lucky Street  
 Austin, TX 12345

UNDERPAYMENT NOTICE ISSUED FOR \$94.60  
 GENERATION DATE: 01-09-04

TOTAL PAYMENTS: \$25,251.53  
 FILING PERIOD: 0304

CALCULATED TOTAL TAX BREAKDOWN: DUE DATE IS: 06-20-03

PURCHASER TAX: \$0.00  
 PRODUCER TAX: \$25,251.44  
 CYCLING TAX: \$0.00  
 TOTAL TAX: \$25,251.44

PAYMENT RECORD	PAYMENT TYPE	TRANS TO/FROM	DLN	PR/PM DATE	PAYMENT AMOUNT	NET AMOUNT
PAYMENT			03171630854	06-20-03	\$ 24,307.28	\$ 24,307.28
PAYMENT			03233621313	08-21-03	\$ 944.25	\$ 944.25
TOTAL PAYMENTS					\$	\$ 25,251.53

OTHER PERIODS WITH OPEN BALANCES:

0001	\$	23.12	CREDIT
0012	\$	17.98	CREDIT
0101	\$	256.71	CREDIT
0103	\$	2,011.28	CREDIT
0104	\$	2,902.16	CREDIT
0105	\$	1,131.55	CREDIT
0106	\$	1,657.81	CREDIT
0107	\$	4,654.99	CREDIT
0111	\$	4,766.98	CREDIT
0112	\$	65.99	CREDIT
0201	\$	50.32	CREDIT
0203	\$	50.76	CREDIT
0204	\$	188.10	CREDIT
0205	\$	19.36	CREDIT

2082

**NOTICE OF TAX DUE (FORM #00-214)**



00-214  
(Rev. 12-02/14)



a. PL **10** T Code **11020**  
**TEXAS NOTICE OF TAX/FEE DUE**

c. Type of tax/fee <b>NATURAL GAS</b>		
d. Date of notice <b>01/09/04</b>	e. Taxpayer number <b>1-23-4567891-0</b>	f. Amount of your payment \$

g. Taxpayer name and mailing address  
**The Perfect Oil & Gas Company  
123 Lucky Street  
Austin, TX 12345**

Make check payable to:  
STATE COMPTROLLER  
  
Mail to:  
COMPTROLLER OF PUBLIC ACCOUNTS  
111 E. 17th Street  
Austin, Texas 78774-0100

\*0307 \* 13217.79\*PMD \*1

11020 7522886749030745

**DETACH AND RETURN THE TOP PORTION WITH YOUR PAYMENT UNLESS YOU ARE REQUIRED TO MAKE PAYMENTS BY ELECTRONIC FUNDS TRANSFER (EFT)**

**TEXAS NOTICE OF TAX/FEE DUE**

Date of notice <b>01-09-04</b>	Taxpayer number <b>1-23-4567891-0</b>
Period of liability <b>07-01-03</b>	to <b>07-31-03</b>

Type of tax/fee <b>NATURAL GAS</b>
---------------------------------------

REASON FOR TAX/FEE DUE: **JEOPARDY DETERMINATION**  
Failure to pay the total amount due as reported on your return for the period indicated above. This is your official tax liability notification which is due and payable upon receipt.

TAX/FEE DUE	\$11,940.33
PENALTY	1,194.04
INTEREST (THROUGH 01-09-0404)	83.42

TOTAL LIABILITY AS OF DATE OF NOTICE ----- \$ **13,217.79**

Any additional charges assessed after the date of notice are listed below:

	+ b. _____
	+ c. _____
If paid after 01-09-04, add interest of \$1.64 per day thru the date of payment.	+ d. _____
If paid after 02-18-04, add an additional 10% penalty of 1,194.03.	+ e. _____
<b>TOTAL AMOUNT DUE ON DATE OF PAYMENT (Add a, b, c, d and e)</b> -----	= \$ _____

*This liability is in addition to any other assessments you may have received for other reporting periods or other taxes.*

**TAXPAYER RIGHTS SUMMARY**

If you do not agree with the tax/fee on this billing, you may file a request on or before **02-09-04** for a hearing. Your request must be filed with this office and include a statement which lists the specific reasons why you disagree.

• See the back of this notice for explanation.

If you do not request a hearing and you fail to pay the amount due, several actions may be initiated to protect the interests of the State. These include but are not limited to, -filing of tax liens, -suit for injunction and/or judgment, -revocation or suspension of any permit, license or certificate issued by the Comptroller, -withholding of state issued warrants, -forfeiture of bond or security posted, -new or additional bond or security requirement, -freezing of assets, -seizure and sale of properties.  
**(TEX. TAX CODE ANN. secs. 111.008 and 111.016)**

INTEREST RATES MAY VARY ON A CALENDAR YEAR BASIS. TEX. TAX CODE ANN. SEC 111.060

For help with a state tax question, please refer to the list on the back of this form for the appropriate phone numbers.



**MINI-HISTORY OF NATURAL GAS TAX FOR NOTICE OF TAX DUE**

STATE OF TEXAS  
 COMPTROLLER OF PUBLIC ACCOUNTS  
 TAXPAYER MINI-HISTORY OF NATURAL GAS TAX  
 FOR DETERMINATION

TAXPAYER NUMBER: 1-23-4567891-0      TAXPAYER NAME: The Perfect Oil & Gas Company  
 MAILING ADDRESS: 123 Lucky Street  
 Austin, TX 12345

DEFICIENCY ISSUED FOR      \$13,217.79      GENERATION DATE: 01-09-04  
 TOTAL PAYMENTS:      \$342,475.11      FILING PERIOD: 0307  
 CALCULATED TOTAL TAX BREAKDOWN:      DUE DATE IS: 09-22-03

PURCHASER TAX:      \$0.00  
 PRODUCER TAX:      \$354,415.44  
 CYCLING TAX:      \$0.00  
 TOTAL TAX:      \$354,415.44

PAYMENT RECORD

PAYMENT TYPE	TRANS TO/FROM	DLN	PR/PM DATE	PAYMENT AMOUNT	NET AMOUNT
TRANSFER-IN	0306	03269670320	08-20-03	\$ 434.87	\$ 434.87
PAYMENT		03265625339	09-22-03	\$ 353,980.56	
TRANSFER-OUT	0310	03339670183	12-05-03	\$ 11,940.32	\$ 342,040.24
				TOTAL PAYMENTS	\$ 342,475.11

OTHER PERIODS WITH OPEN BALANCES:

0006 \$ 1,492.51 CREDIT  
 0007 \$ 1,103.59 CREDIT  
 0008 \$ 280.68 CREDIT  
 0009 \$ 3,056.67 CREDIT  
 0210 \$ 48.39 CREDIT  
 0301 \$ 17.98 CREDIT  
 0304 \$ 110.20 CREDIT  
 0305 \$ 121.92 CREDIT  
 0309 \$ 139.48 LIABILITY  
 0310 \$ 418.69 LIABILITY



**TAX STATEMENT OF ACCOUNT (FORM #00-206)**



00-206  
of Public  
Accounts  
FORM  
(Rev. 7-95/5)

TCODE  
11020

**STATE OF TEXAS**

01-09-2004

**TAX STATEMENT OF ACCOUNT**

\$68,904.30

The Perfect Oil & Gas Company  
123 Lucky Street  
Austin, TX 12345

TAXPAYER NUMBER

1-23-4567891-0

COLLECTION RECORD NO. 0306  
OR PERIOD ENDING

Enter amount of payment

\$

PLEASE DETACH UPPER PORTION AND RETURN  
WITH ANY CORRESPONDENCE OR PAYMENT. \*PMD

\*1

TAXPAYER NO. 1-23-4567891-0

REPORT

PERIOD ENDING 0306

AN EXAMINATION OF YOUR  
THE REASON LISTED BELOW.

NATURAL GAS

TAX RECORDS HAS BEEN MADE FOR

YOUR ACCOUNT BALANCE FOR THE PERIOD 06-01-2003 THROUGH 06-30-2003 IS  
COMPUTED AS FOLLOWS:

BALANCE AS OF 01-09-2004

TAX DUE-----	\$	430,258.57
PENALTY-----	\$	11,422.12
INTEREST-----	\$	661.05
LESS PAYMENTS		
APPLIED-----	\$	373,437.44
TOTAL AMOUNT DUE-----	\$	68,904.30

IF PAID AFTER 01-09-2004 ADD INTEREST OF \$7.78 PER DAY  
THROUGH 12/31/2004, ON 01/01/2005 THE INTEREST PER DAY MAY CHANGE.

COMPTROLLER OF PUBLIC ACCOUNTS  
AUSTIN, TEXAS 78774-0100



For help with a state tax question, please refer to the list on back for the appropriate phone numbers.

MINI-HISTORY OF NATURAL GAS TAX FOR TAX STATEMENT OF ACCOUNT

PAGE : 1

STATE OF TEXAS  
 COMPTROLLER OF PUBLIC ACCOUNTS  
 TAXPAYER MINI-HISTORY OF NATURAL GAS TAX  
 FOR STATEMENT OF ACCOUNT

TAXPAYER NUMBER: 1-23-4567891-0  
 TAXPAYER NAME: The Perfect Oil & Gas Company  
 MAILING ADDRESS: 123 Lucky Street  
 Austin, TX 12345

STATEMENT OF ACCOUNT ISSUED FOR \$68,904.30 GENERATION DATE: 01-09-04  
 TOTAL PAYMENTS: \$373,437.44 FILING PERIOD: 0306  
 CALCULATED TOTAL TAX BREAKDOWN: DUE DATE IS: 08-20-03

PURCHASER TAX: \$0.00  
 PRODUCER TAX: \$430,258.57  
 CYCLING TAX: \$0.00  
 TOTAL TAX: \$430,258.57

PAYMENT RECORD	PAYMENT TYPE	TRANS TO/FROM	DLN	PR/PM DATE	PAYMENT AMOUNT	NET AMOUNT
TRANSFER-IN	0301	03357670278	01-21-03	\$ 14,594.00	\$ 14,594.00	
TRANSFER-IN	0301	03357670277	01-23-03	\$ 923.46	\$ 923.46	
TRANSFER-IN	0301	03357670276	02-20-03	\$ 1,457.55	\$ 1,457.55	
TRANSFER-IN	0301	03357670275	02-24-03	\$ 11,940.42	\$ 11,940.42	
TRANSFER-IN	0301	03357670274	03-20-03	\$ 1,779.14	\$ 1,779.14	
TRANSFER-IN	0302	03357670280	04-29-03	\$ 1,782.81	\$ 1,782.81	
TRANSFER-IN	0303	03357670281	05-20-03	\$ 63,472.34	\$ 63,472.34	
PAYMENT		03232626048	08-20-03	\$ 277,182.73	\$ 277,182.73	
TRANSFER-IN	0302	03357670279	10-20-03	\$ 31.11	\$ 31.11	
TRANSFER-IN		03357770282	12-23-03	\$ 273.88	\$ 273.88	
TOTAL PAYMENTS					\$ 373,437.44	

OTHER PERIODS WITH OPEN BALANCES:  
 0305 \$ 12,408.73 CREDIT  
 0307 NON-COMPUTABLE





# **REFUND REQUESTS FROM TAXPAYERS**



# REFUND REQUESTS FROM TAXPAYERS

**The most important part of all refund requests submitted to the Comptroller's office is the postmark.** All refund requests from taxpayers must be postmarked on or before the four-year statute of limitation. Each reporting period contains a different statute of limitation date.

Refund requests filed by taxpayers are based on one or more of the following reasons or grounds:

- marketing costs,
- tax reimbursement,
- any approved legislative exemptions,
- exempt values for governmental entities,
- credit interest earned,
- overpaid tax, or
- overpaid assessments on penalty and interest.

In order to record the receipt of and track refund requests submitted by taxpayers, the original refund request letter and additional required documents should first be sent to the Account Maintenance Division in Austin, Texas.

Taxpayers may file any credit amended reports on paper, via EDI electronically, or on Comptroller approved forms. The letter for the refund request should indicate that either the credit-amended reports are enclosed with the letter or the credit-amended reports were filed electronically.

## Requirements For All Types of Refund Requests

When submitting a refund claim, the taxpayer must state fully and in detail each reason or ground on which the claim is based.

In order to hold the four-year statute of limitation on a refund request for marketing cost, exemptions, tax reimbursement, exempt values, overpaid tax, credit interest earned, and penalty and interest credits, the original refund request letter must include the following:

- correct taxpayer name,
- correct taxpayer number,
- specific grounds on which the refund request is based,

- reporting periods for which the claimed overpayment was made, and
- actual or reasonable estimated refund amount requested.

### **HOUSE BILL 1 (Rider 11): Limitations on Tax Refunds**

Effective September 1, 2003, the Comptroller is prohibited from issuing a refund in excess of \$250,000 per taxpayer per tax on refund claims, final judgments, and settlement agreements unless there is a specific legislative appropriation for the payment of that refund. This additional limitation also means that the aggregate refund payments to any single taxpayer cannot exceed \$250,000 per tax during the biennium. Refund amounts that cannot be paid may be used as credits to pay other liabilities, including liabilities for other tax types by filing the *Assignment of Rights to Refund* form (Form #00-985). Exceptions to Rider 11 include:

- payments on final court judgments entered prior to June 22, 2003;
- settlement agreements executed prior to June 22, 2003;
- final Comptroller administrative hearing decisions entered before June 22, 2003;
- refunds of tax overpayments claimed within 120 days after the due date of the tax;
- refunds under Property Code, Title 6 (unclaimed property);
- refunds of tax paid on gasoline/diesel fuel consumed off-road;
- refunds under Tax Code, Chapter 211 (inheritance tax);
- refunds under Tax Code, Section 111.109 (voucher for wages paid to an employee receiving financial assistance);
- refunds under Tax Code, Section 111.301 (reinvestment zones);
- refunds under Tax Code, Section 151.429 (enterprise projects);
- refunds under Tax Code, Section 151.4291 (defense readjustment projects);
- refunds under Tax Code, Section 151.431 (enterprise zones); and



## REFUND REQUESTS FROM TAXPAYERS

---

- refunds under Tax Code, Section 171.501 (enterprise zones).

Any refund claim, or portion thereof, that cannot be paid under the provisions of Rider 11 must be presented to the Legislature for specific appropriation in order to be paid. The Comptroller's office will compile a list of such claims for presentation to the 79th Legislature in 2005.

Rule 3.2 reflects the provisions of Rider 11.

### Power of Attorney or Letter of Authorization

---

When a consultant or third party files a refund request, a Power of Attorney or Letter of Authorization is required. Any person filing a refund claim on behalf of another is required to provide a written authorization to the Comptroller's office. The written authorization must state that the consultant or third party has authority to act on behalf of the party requesting the refund.

In order for a refund request to be **processed**, and if either a Power of Attorney or Letter of Authorization is included, the following information is necessary:

- The signature of either the officer, director, or tax manager of the party requesting the refund.
- A Power of Attorney is automatically required when a consultant or third party signs paper amended reports or submits amended reports electronically via EDI.

If a Power of Attorney or Letter of Authorization is not filed, information on the status of a refund request will not be provided to any party. In this case, information on the status of the refund request will only be provided directly to the taxpayer.

### Refund Requests for Marketing Cost Credits

---

Under House Bill 2425, beginning September 1, 2003, guidelines for determining marketing cost deductions, which are currently in Comptroller Rule 3.15 are incorporated into the tax code.

The refund request letter for marketing cost credits should indicate if producer credit amended reports and/or "Purchaser Paid Tax" schedules are included in the package.

When a producer pays the natural gas tax and claims a credit for marketing cost on a lease, then a credit-amended report is required for each reporting period.

**Refund requests for marketing cost credits sent for review by a Comptroller's field auditor are still subject to a final review by Account Maintenance Division in Austin, Texas where further reduction of credits may occur.**

When using the "Cost Averaging" method, include only months with production. If there is no production with a month, no costs are allowed. Also, if standard monthly costs exceed the value of gas sold, the excess cost is disallowed.

#### **Wellhead Value**

Ascertaining the producer's actual marketing costs and subtracting these costs from the producer's gross cash receipts from the sale of the gas shall determine the market value at the mouth of the well, or wellhead value.

Credit amounts filed for marketing costs reasons **cannot** be combined with credit amounts for tax reimbursement reasons on one amended report. The marketing cost credit amounts are required to be filed separately from the tax reimbursement credit amounts.

#### **Marketing Cost Credits Claimed on Purchaser Paid Tax**

**Effective June 20, 2003**, refund request letters filed by a producer for marketing cost credits where a purchaser has paid the natural gas tax must include an *Assignment of Rights to Refund* (Form #00-985) signed by the purchaser. Attached to Form #00-985 a schedule is required listing the date, purchaser name and taxpayer, producer name and taxpayer number, lease name and number, and beginning and ending reporting periods that are involved in the refund request.

When a purchaser pays the tax for a producer on a lease, and the producer claims the marketing cost of that lease, the following items are required by the producer:

- Letter of a refund request for marketing cost credits from the producer *Assignment of Right to Refund* (Form #00-985) signed by each purchaser for "Purchaser Paid Tax" leases.
- A separate schedule is required indicating purchaser name, purchaser taxpayer number, lease name and number, filing period, volumes, values, marketing cost credit amounts, tax credit amounts and totals. For an example of a schedule see page 107 .

## **Refund Requests for All Legislative Exemptions**

---

By submitting a refund request letter and credit amended reports for specific exemption credits at the same time to the Account Maintenance Division in Austin, Texas, helps this division to properly record and track a refund request. On or before the statute of limitations, a refund request letter for the specific exemption credits stating all the required elements indicated on page 95 (see heading for “Requirement for All Types of Refund Requests”) is highly recommended.

### ***High Cost Gas Exemption Credits***

As a result of House Bill 2425, beginning January 1, 2004, credit for exemptions for high-cost gas leases are limited to the amount of taxes paid in the 24 month prior to applying to the Texas Railroad Commission for certification.

To receive a refund on high cost gas exemptions for taxes paid for reporting periods prior to the signature of the Comptroller’s application form (#AP-180), the credit amended reports must be postmarked within one year from the signature date of the Comptroller’s application form (#AP-180). This is commonly called the “one-year window requirement”.

Recouping of the taxes paid in excess after the Comptroller’s signature date of the signature date can occur by filing the credit-amended reports within the four-year statute of limitations and submitting a refund request letter with all the refund elements on page 95.





# GENERAL OUTLINE FOR CALCULATING GAS MARKETING COSTS

## Investment

Facility (compressor, lines, etc.) Cost	
— Less 15% (may vary) Salvage	
<hr/>	
Depreciable Balance	(1) 6.67% x Balance

\* Provision: Depreciation for Year  
15 years (may vary)

## Interest on Investment

Beginning Balance 1st of Year	
— Less Provision	
<hr/>	
New Balance	
(Beginning Balance + New Balance ÷ 2) x 6%	(2) Interest

## Operating Cost

Direct or Allocated Labor	(3) Operating
Materials and Supplies	(4) Materials & Supplies
Maintenance and Repair	(5) Maintenance & Repairs
Tax - Direct, Ad Valorem	(6) Tax
Fuel (purchased and/or fuel on which tax paid)	(7) Fuel
(fuel used for gas lift compressor is taxable)	
<hr/>	
<b>TOTAL COST</b>	(1 through 7)

**TOTAL GAS SOLD:**  
**MCF:**

*\*This statement prepared using a 15-year life expectancy, which may vary depending on the equipment and/or estimated recovery period.*

**This is an outline only. Costs listed are not necessarily all allowable. Additional documentation may be required.**







## ASSIGNMENT OF RIGHT TO REFUND

**To the Comptroller of Public Accounts for the State of Texas (hereinafter "Comptroller"):**

(1) My name is \_\_\_\_\_, and I am a duly authorized representative of \_\_\_\_\_ (the "Assignor"). By executing this Assignment of Right to a Refund ("Assignment"), the Assignor assigns all rights and interest to the tax refund herein described that the Assignor may have to \_\_\_\_\_ (the "Assignee"), subject to the limitation noted herein. The Assignee's Taxpayer Number is \_\_\_\_\_ (if permitted in Texas).

(2) Assignor hereby assigns the Assignee (check whichever is applicable):

- \_\_\_\_\_ a. The right to file a request for a refund and to receive the refund.
- \_\_\_\_\_ b. The right to receive the refund only.
- \_\_\_\_\_ c. The right to receive the credit that is subject to Rider 11 limitations.  
Specify the amount \$ \_\_\_\_\_

(3) The tax refund that is the subject of this Assignment is described as follows:

Tax Type: \_\_\_\_\_

Period: \_\_\_\_\_

Transactions: \_\_\_\_\_

*(Attach schedule, if necessary.)*

Other specific limitations: \_\_\_\_\_

(4) The Assignor understands that the Comptroller may require both parties to provide documents or information necessary for the Comptroller to verify the validity of the refund claim and/or to transfer any verified amount to the Assignee.

(5) By executing this Assignment, the Assignor affirms that the Assignor has neither previously claimed a refund nor taken a credit on a return for taxes that are subject of this Assignment, and further affirms that the Assignor will not claim a refund or a credit for those taxes in the future.

Executed \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_ .

\_\_\_\_\_  
Assignor Entity Name

\_\_\_\_\_  
Assignor Taxpayer Number

\_\_\_\_\_  
Print or type the name of person authorizing assignment

\_\_\_\_\_  
Relationship to entity (i.e., President, Treasurer)

\_\_\_\_\_  
Signature of person authorizing assignment

\_\_\_\_\_  
Date

\_\_\_\_\_  
Area code/daytime phone number

*Under Ch. 559, Government Code, you are entitled to review, request, and correct information we have on file about you, with limited exceptions in accordance with Ch. 552, Government Code. To request information for review or to request error correction, contact us at the Texas Comptroller's office*







STATE OF TEXAS

COUNTY OF \_\_\_\_\_

**LIMITED POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENT that I, \_\_\_\_\_ (Taxpayer)  
of \_\_\_\_\_ (Company Name), hereby make, constitute  
and appoint \_\_\_\_\_ (taxpayer representative), as my true  
and lawful attorney in fact for me and in my name, place and stead; for the following purposes only:

to seek a refund of Texas \_\_\_\_\_ taxes for the periods of  
\_\_\_\_\_ through \_\_\_\_\_.

This includes the right to amend and sign any tax return originally filed during these time periods, to request and receive any documentation on file with the Comptroller of Public Accounts in order to prove my right to a refund, and to receive any and all information pertaining to my refund request and my account, from records maintained at the Comptroller of Public Accounts.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, (Year).

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Relationship to Entity

# NATURAL GAS SEVERANCE TAXES: AUDIT POLICY ON MARKETING COSTS

This document originated as an attachment to Audit Policy #56.

Section 201.101 of the Tax Code states “The market value of gas is its value at the mouth of the well from which it is produced.” Rule 3.15, Gas Marketing Costs, states “The market value at the mouth of the well shall be determined by ascertaining the producer’s actual marketing costs and subtracting those costs from the producer’s gross cash receipts from the sale of the gas.” Market value has been further discussed in the court case *Mobil v. Calvert*, 451 SW 2d 889 (Tex 1970).

The purpose of the marketing cost deduction is not to cause the taxable value to be a “net income” tax. It simply equalizes the tax burden for those selling at or near the point of production with those who have to treat the gas and send it further away to market. Where there is no compression, sweetening, dehydration or transportation to the market, there will be no marketing costs. (The one exception is for costs on the sales meter or a necessary allocation meter. See “Meters” for more information on this subject.)

If a marketing facility is being used for gas lift, pressure maintenance or handling gas for outside parties, those volumes must also be included to calculate a “per mcf” value for the marketing cost deduction. The volumes for gas that qualify for one of the exemptions from tax (i.e., high cost gas) must also be used in the calculation of a “per mcf” cost.

Marketing costs may not reduce the taxable value of gas well gas below the minimum value of \$0.010756 per mcf. The taxable value of casinghead gas may not be reduced below zero. Marketing costs may not be carried forward.

## Three general rules:

- (1) Marketing costs do not begin until the natural gas and oil or condensate have been separated.
- (2) The cost must be necessary and essential to marketing the gas.
- (3) The cost should be directly related to the physical handling of the gas.

## General Concepts:

- (1) **Only the lease operator can take marketing cost deductions.**
  - (a) What if other interest owners have paid their own share of the taxes? Can they then take their own share of the costs?

No, but the operator taking the costs should reimburse the other interest owners for their share of the costs. Exception: If the producer puts in writing that they will tell the other parties the amount of the costs, and agree to make supporting records available if necessary, the non-operator can take marketing cost deductions.

- (b) What if the gas purchaser is paying the tax? Can the producer tell the purchaser how much the costs were so that the purchaser can enter them on the tax return?

No. The purchaser can only take costs that are built into the contract.

- (c) What if the gas purchaser has paid the tax? Can the producer and/or operator get an assignment letter from the purchaser and file for a refund on their costs?

Yes. They may file the costs on a schedule rather than on amended returns since they have zero reported value.

- (2) **Amended returns need to be filed for all refund requests.**

Amended returns are required to provide a good audit trail for costs taken. If additional costs are submitted as part of a refund request and are to be incorporated in an audit and/or filed on a schedule, the taxpayer must first obtain approval from Account Maintenance Division and from Tax Policy.

- (3) **Taxpayers can compute costs on an annual basis and use a rate per MCF for reporting**, then go back at the end of the year and compute the actual costs and rate. Then if the rate used was too high or too low, the rate for the next year must be adjusted accordingly. Actual costs must be used for audits and refund requests.

- (4) **A reasonable amount is allowed for overhead, at a rate of 6% of the appropriate accounts.**

The “overhead” accounts from which the 6% is taken are the accounts that are billed to the joint interest owners as overhead. Joint interest billings can be used to determine these amounts if necessary.

- (5) **Costs can be allocated between sales and gas lift systems by using a ratio of gas sales to the total gas produced or compressed.**

(6) **Costs can be allocated between gas and condensate systems by:**

- (a) dollar value basis
- (b) liquids to gas method
- (c) gas to liquids method

(7) **Typical depreciation and return on investment calculation:**

Purchase price = \$100,000  
 Salvage value = \$ 10,000  
 Useful life = 10 years

**Depreciation** per year = \$100,000 – \$10,000 = \$90,000/10 yrs = \$9,000 per yr

**Return on investment:**

Undepreciated balance at beginning of year	=	\$ 100,000
Undepreciated balance at end of year	=	91,000
Subtotal		\$ 191,000
Divided by 2	=	95,500
Less: salvage value		-10,000
Average undepreciated balance		\$ 85,500
Multiplied by 6% rate		.06
Return on Investment per year		\$ 5,130

**Notes:**

- (a) Useful life and depreciation rate: Ten years useful life and a depreciation rate of 10% per year is normally used. However, a different term can be used if the situation calls for it, based upon documentation in the taxpayer’s records. Useful life must be the lesser of the expected life of the equipment, or the life of the field. Straight line depreciation is the preferred and recommended depreciation method. If another method is used, the taxpayer should be ready to support why that particular method is appropriate for the situation.
- (b) There are times when the taxpayer wants to use a zero salvage value, i.e. on pipelines they claim will not be recovered when the lease is abandoned. Generally we have seen that the land owners do want these pipelines removed, so a 10% salvage value should be used unless there is good evidence and documentation to support a different treatment, including specifications in lease agreements.
- (c) In cases where one company acquires another, it is best to use the value placed on the new owner’s books. If the new owners place no value on the equipment, valuing only the reserves, the company should not be allowed to depreciate the equipment.
- (d) If equipment that has been fully depreciated is sold for more than the salvage value, the additional “profit” is subject to severance tax. Auditors should assess this in audits.
- (e) If fully depreciated equipment continues in use by the taxpayer, they can continue to deduct the return on investment amount on the salvage value.

(8) **Lease schematics appropriate to the relevant time period and signed by a company engineer should be provided for all audits or refund requests.** If not available, a written description, including a listing of equipment, signed by a company engineer, may be provided.



**“Allowable” or “Disallowed” Marketing Costs**

The following lists present various costs by category as “Allowable” or “Disallowed” as marketing costs. The exact answer as to whether the cost is deductible or not often depends upon exactly how the item is used. Also, if the cost is deductible, it must be determined whether the item should be expensed or depreciated.

**Wellhead and Downhole Equipment/Operations**

*Comment: These items all relate to either the drilling of the well or well servicing activities. None are deductible as marketing costs.*

<b>Item</b>	<b>Allowable</b>	<b>Disallowed</b>
Acidizing		X
Casing		X
Cementing		X
Drill Pipe		X
Fishing/fishing tools		X
Fracturing		X
Hot oiling/hot oil treatment		X
Injecting baroid		X
Logging		X
Packers/setting packers		X
Paraffin removal		X
Perforating		X
Swabbing		X
Tubing		X
Well Service		X
Wire line service		X

**Production Equipment/Operations**

*Comment: These items are all involved with the production of oil and gas, not marketing the gas. Therefore, none are allowable as marketing costs.*

<b>Item</b>	<b>Allowable</b>	<b>Disallowed</b>
Christmas tree		X
Compressors: wellhead/suction/vacuum		X
<i>Comment: This type of compressor sits on top of the well bore and is used to suction out the oil and gas.</i>		
Corrosion inhibiting chemicals	*	X
<i>*Comment: Most of these chemicals are used downhole and are not allowable. If the chemical is used in pipelines that are part of the marketing function, that portion may be allowed.</i>		
Downhole separation		X
Electricity to run pumping unit		X
Lease use gas to run pumping unit		X
Pumping unit		X
Replacement valves/parts for Christmas tree		X
Rods/ pulling rods		X
Submersible pumps		X
Tanks		X
Tank and vessel cleaning		X

**Lease Equipment after the Wellhead**

Item	Allowable	Disallowed
Air compressors used to start lease equipment <i>Comment: Not allowable unless used to start equipment that otherwise qualifies as marketing equipment.</i>		X
Break out of heater and removal; set new heater and start hook-up. <i>Comment: Not allowable unless this refers to a qualifying line heater.</i>		X
Cathodic protection		X
Chrome/stainless steel piping for handling gas with high H <sub>2</sub> S content. <i>*Comment: Depends on if the piping qualifies as allowable, based on location of the piping and its function. The "chrome/stainless steel" element is irrelevant.</i>	X*	
Clean contacts on coffering <i>Comment: See "coffering for compressor"</i>	X	
Coffing for compressor building <i>Comment: Coffing is used like a crane to lift and move the compressor.</i>	X	
Compressor installation charges <i>Comment: If compressor is owned, may be included in depreciable base.</i>	X	
Compressors/parts and service for compressors—gas lift systems		X
Compressors/parts and service for compressors—to return gas to leases		X
Compressors/parts and service for compressors—to get gas up to required sales pressure.		
Compressors owned rather than rented. <i>Comment: If compressors perform a dual purpose, the costs can be allocated between allowable and not allowable marketing costs. Must be depreciated over useful life, and return on investment may be calculated.</i>	X	
Compressors—rented sales compressors <i>Comment: Deducted as a monthly expense.</i>	X	
Compressors—at central facility (compressor stations) <i>Comment: Same as above for all compressors.</i>	X	
Compressors—transmission line <i>Comment: Not allowable unless it occurs before the sale has been made.</i>		X
Compression charge on settlement statement <i>*Comment: Allowable if not already deducted from the reported price.</i>	X*	
Compressor fuel for gas lift compressors		X
Concrete slab for compressor <i>Comment: If compressor is owned, cost of slab may be included in depreciable base.</i>	X	
Concrete pad around compressor to collect oil and drainage, to reduce environmental clean-up in the future.		X
Cost reimbursement from gas purchaser for compression <i>Comment: Should be included in gross taxable value, and actual marketing costs deducted by the producer.</i>		X
Dehydrators <i>Comment: Takes the water content out of the gas stream.</i>	X	
Demulsification chemicals <i>Comment: Used to break down oil emulsions, usually in a heater treater.</i>		X
Fence around compressor		X
Filters <i>*Comment: Allowable if used on a piece of equipment that qualifies as a marketing cost deduction.</i>	X*	

## AUDIT POLICY ON MARKETING COSTS

### Lease Equipment after the Wellhead (continued)

Item	Allowable	Disallowed
Fin Fans <i>Comment: Used to cool the gas after it has been compressed.</i>	X	
Flow lines from separator to purchaser's transmission line	X	
Glycol for use in dehydrators <i>Comment: See "dehydrators"</i>	X	
Heater treater <i>Comment: Used to treat oil, not gas.</i>		X
Hydrogen sulfide monitoring		X
Insurance on compressor		X
LACT Units <i>Comment: These measure crude oil being sold.</i>		X
Lease chiller <i>*Comment: Costs of the chiller are allowable if tax is paid on the products obtained at 7.5% tax rate. If the taxpayer defines the liquids obtained as condensate and pays tax at 4.6% tax rate, no marketing costs are allowed.</i>	X*	
Lease separators		X
Line heaters <i>*Comment: Allowable if the heater is located after the separator. Not allowable if heater is located before the first separator.</i>	X*	
LTX Unit <i>*Comment: Allowable if the producer is paying gas tax on the liquids that are obtained from the unit.</i>	X*	
Methanol for gas line <i>Comment: Used in preventing freeze-ups.</i>	X	
Oil/condensate storage tanks		X
Painting dehydrator and sales compressor building	X	
Painting separators		X
Paint storage tanks to prevent rusting		X
Pig socks used around oil storage tanks and compressor <i>Comment: Used to clean oil spills.</i>		X
Pigs and pigging equipment		X
Pipeline between wellhead and separator		X
Pipeline between wellhead and central separation facility		X
Pipeline between wellhead and sales line if there is no lease separation and no separation prior to sale. <i>*Comment: Allocate costs of this line between gas and condensate. Marketing costs are allowable on portion of line allocated to gas, and not allowable on the portion allocated to condensate.</i>	*	*
Pipeline between wellhead and plant if there is no lease separation and gas is going full well stream to the plant for processing <i>*Comment: Allocate costs of this line between gas and condensate. Marketing costs are allowable on portion of line allocated to gas, and not allowable on the portion allocated to condensate.</i>	*	*
Pipeline after first separator <i>Comment: Between separator and sales line.</i>	X	
Purchase and installation of compressor to increase capacity due to tight sands drilling program <i>Comment: A vacuum type compressor being used to increase production.</i>		X



**Lease Equipment after the Wellhead (continued)**

Item	Allowable	Disallowed
Removal of contaminated soil, back-fill new dirt		X
Repair handrails on vessels at tank battery		X
Repair water leg on heater treater		X
Security alarm on compressor <i>Comment: Not necessary and essential.</i>		X
Separators at central facility		X
Shed/cover over sales compressor	X	
Skid mounting of sales compressor <i>Comment: Skid mounting of gas lift compressor not allowable.</i>	X	
Stack packs/ production units <i>Comment: Basically separators that contain a heat source. There may also be lease use gas consumed on these.</i>		X
Sweetening chemicals <i>Comment: Used to remove hydrogen sulfide from gas.</i>	X	
Vapor recovery units <i>Comment: Recovering additional vapors is a production function, not marketing.</i>		X

**Other Lease Related Items**

Item	Allowable	Disallowed
Ad valorem taxes <i>*Comment: Allowable on value of marketing equipment only. If there is no breakdown between marketing equipment vs other equipment, taxes are not allowable.</i>	X*	
Building or trailer rental		X
Cattle guards around lease equipment or on lease roads		X
Clean out dumpsters, trash barrels at lease facility		X
Cleaning agents <i>*Comment: Deductibility depends on purpose for which they are being used. Costs are allowable if used on allowable marketing equipment.</i>	X*	
Construction/installation of lease road		X
Cost to acquire pipeline right of way		X
Fence around lease facility		X
Fire ant treatment around lease, including compressor		X
Fire extinguishers		X
Heat sensing devices on leases		X
Hydrostatic testing <i>*Comment: Usually refers to testing pressure and amount of water in pipelines. Deductibility depends on which pipelines are being tested. Testing after separation is allowable.</i>	X*	
Miscellaneous parts, valves, fittings, plugs, duct tape, lubricants, tools, etc. <i>*Comment: Deductibility depends on purpose for which they are being used. Costs are allowable if used on allowable marketing equipment.</i>	X*	
Motor freight & hauling <i>*Comment: Deductibility depends on purpose of freight and hauling. Costs are allowable if for allowable marketing equipment.</i>	X*	
Mowing, weeding around lease equipment		X
Mowing, weeding pipeline right of way		X
Repairing fire wall		X
Repair and maintenance on lease roads		X
Salt water disposal expenses, including wells or hauling		X

## AUDIT POLICY ON MARKETING COSTS

### Labor Expenses

Item	Allowable	Disallowed
Cellular phone in pumper's truck, radios, CBs, etc. <i>*Comment: Include in overhead. Allow at 6% rate.</i>	X*	
Company labor expenses if there is contract labor on the same lease <i>Comment: Company labor should not be allowed when the company has hired contractors to work on the marketing equipment. The contract labor expenses can be claimed on marketing equipment. If the contractors work only on specific equipment, i.e., the compressor, then an appropriate percentage of company labor can be allowed for time spent working on other marketing equipment.</i>		X
Contract labor <i>Comment: See "Company labor expenses"</i>	X*	
Cost to operate district office building, warehouses, shops, garages, etc.		X
Cost of secretary in district office <i>Comment: Does not work on equipment which is physically handling gas.</i>		X
Field supervisor cost <i>*Comment: Include in overhead and allow at 6% rate.</i>	X*	
Gauger salaries <i>Comment: Gaugers normally refer to employees who measure volumes in storage tanks. If this is the case, the gauger's salary would not be deductible. However, the use of this term differs from company to company. Some gaugers are actually doing the work of a pumper. The determining factor as it relates to marketing costs is exactly what the job duties entail.</i>	X	
Hand tools used by pumper/gauger		X
Meals/food expenses for pumper/gauger <i>*Comment: Include in overhead and allow at 6% rate.</i>	X*	
Meals/food expenses for other district office personnel		X
Pumper/gauger benefit costs <i>*Comment: Allow the same percentage as for pumper's salary and benefits.</i>	X*	
Pumper salaries/benefits <i>*Comment: The percentage of salary attributable to pumper's time spent working on marketing equipment is allowable. The percentage of salary attributable to other duties, i.e. production, is not allowable. A standard percentage is often used, i.e., 50% of the salary charged to gas wells and 25% charged to oil wells. Each situation should be evaluated independently to determine appropriate percentages. If the only meter on the lease is an allowable marketing meter, and no other marketing equipment, only 10% of the salary is deductible.</i>	X*	
Safety clothing/equipment <i>Comment: Required by OSHA or EPA</i>		X
Thawing gas lines <i>*Comment: Allowable if the lines being thawed are after initial separation.</i>	X	
Transportation expenses for pumpers/gaugers (trucks) <i>*Comment: Include in overhead and allow at the 6% rate.</i>	X*	

**Meters**

Item	Allowable	Disallowed
Gas analysis expenses <i>Comment: To make sure contract requirements are met.</i>	X	
Meters—sales <i>Comment: Meter on which payment is based. If sales meter is owned by producer, the cost of the meter (depreciation plus monthly maintenance expense) is deductible.</i>	X	
Meter—allocation meter <i>Comment: Allowable if more than one well or lease is paid from a single purchaser meter. If the sales meter is owned by the purchaser, the producer is allowed to take the cost of lease allocation meters (since we require lease level reporting).</i>	X	
Meters—check <i>Comment: Used to verify sales volumes; usually located next to the purchaser's sales meter.</i>		X
Meter to measure lease use gas		X
Meter calibration services <i>*Comment: For sales or allocation meters only.</i>	X*	
Pens for meters: graphic red pen, graphic green pen, black static pen <i>Comment: Allowable if used in an allowable meter only.</i>	X	

**Electricity**

Item	Allowable	Disallowed
Central separation/compression facility <i>*Comment: Partially allowable. Allocate electricity costs based on how much is used in each function of the facility.</i>	X*	
District office building		X
Electronic gate		X
Gas lift compressor		X
Gas sales compressor		X
Generators <i>*Comment: Depends upon use. If used for allowable equipment, it is allowable.</i>	X*	
Lease security light		X
Maintenance shop		X
Oil pumps		X
Pumping unit		X
Storage building		X



## AUDIT POLICY ON MARKETING COSTS

### Plants

*Comment: In general, costs cannot be taken on a plant if the producer is receiving settlement based on a product/residue plant split (getting a percentage of the proceeds). In the examples below, assume that revenue was paid at 100% so that costs are eligible to be taken.*

Item	Allowable	Disallowed
Compressors- inlet	X	
Compressors – tailgate <i>*Comment: Compressors handling sales gas before the sales meter are allowable. Compressors handling gas being returned to leases for gas lift, injection or lease use, or transmission, are NOT allowable.</i>	X*	
Control room computers	X	
De-methanization expenses	X	
Electricity for office building, storage buildings, and control room		X
Installing breaker in control room	X	
Janitorial expenses for office building, storage buildings, and control room		X
Painting of plant piping and other facilities	X	
Propane compressors Before the sales meter	X	
Scrubbers	X	
Water chilling expenses	X	

A situation being seen more frequently is where a company has always reported taxes based upon a percentage of the plant revenues and not taken any marketing costs. Now the taxpayer wants to go back and take 100% of the costs and pay tax on 100% of the product and residue value. This is allowable IF they are the sole owner of the plant and IF they are processing only their own gas.

If a taxpayer claims 100% of the marketing costs on a plant, the additional costs must be offset by the amount of tax that will be due on 100% of the revenue. In other words, if a taxpayer deducts marketing costs in lieu of reporting revenue on a percentage basis, then they must also report 100% of the revenue.

If the plant is processing gas for unrelated parties, and those parties are paid based on a contractual revenue split, 100% of the costs cannot be taken. Likewise, if the plant operator has other interest owners sending gas to the plant and who pay taxes based on a split, 100% of the costs cannot be taken. If a majority (>50%) of gas is being processed for unrelated parties, then the operator's share should be valued using the same method for the unrelated parties' gas.

If a taxpayer changes to a 100% revenue/ 100% cost method as a result of a refund request, they should continue to report using that method on the future monthly tax returns. They cannot switch back and forth on the method used.

**Offshore Leases**

Item	Allowable	Disallowed
Boats— crew boats <i>*Comment: Used for taking personnel to and from platform. Allow as part of overhead at the 6% rate.</i>	X*	
Boats—crew boats <i>*Comment: Used for taking personnel to and from platform. Allow as part of overhead at the 6% rate.</i>	X*	
Boats—used to deliver supplies to production platforms <i>*Comment: Partially allowable, depending upon what is being delivered. If supplies being delivered are related to marketing costs, i.e. glycol or parts for sales compressors, the cost is allowable.</i>	X*	
Boats—used for surveillance around platforms (maintenance and security)		X
Boats—used for surveillance around platforms (maintenance and security)		X
Boat or barge to transport condensate from platform to shore <i>Comment: The cost of transporting crude oil to shore is allowable as a trucking cost for crude oil, but no part of the cost is allowable as a marketing cost.</i>		X
Compressors <i>*Comment: Allowable if compressing gas for sale. If the compressor is located on the platform and it compresses gas for transport to shore for sale, and if condensate is also placed in the pipeline, compressor costs must be allocated. The portion attributable to condensate is not allowable.</i>	X*	
Compressors—gas lift		X
Condensate sent to shore via pipeline		X
Food for platform personnel <i>*Comment: Allowable as overhead at the 6% rate.</i>	X*	
Helicopter expense for transporting personnel to and from platform <i>*Comment: Allowable as overhead at the 6% rate.</i>	X*	
Housing facilities for platform personnel <i>*Comment: Part of the platform cost and treated the same as "Production platform."</i>	X*	
Pipeline—from platform to shore (gas only line) <i>*Comment: Allowable if there has been separation on the platform.</i>	X*	
Pipeline—from platform to shore (both gas and condensate in line) <i>*Comment: Allocate as described under "Compressors."</i>	X*	
Pipeline—from satellite wells to central platform		X
Production platform <i>*Comment: An allocation of costs can be made between sales and production IF gas is being separated and sold on the platform. If gas is being separated for measurement purposes and then recombined with condensate for shipment to shore for sale, platform costs are not allowable.</i>	X*	
Separators on platform		X
Separators on shore		X

## REFUND REQUESTS FROM TAXPAYERS

### **Miscellaneous Issues**

<b>Item</b>	<b>Allowable</b>	<b>Disallowed</b>
Accounting department salaries <i>Comment: Recording revenue from leases and reporting taxes</i>		X
Ad valorem taxes on marketing facilities or equipment	X	
Carbon dioxide recovery projects <i>*Comment: These projects are normally used to enhance production of crude oil. Only an allocation of expenses may be allowed as a marketing cost. Allocation should be based upon a study of schematics for each individual situation.</i>		X*
Cost on leases where there is no marketing equipment <i>*Comment: If the lease has a qualifying meter, a small portion (10%) of the labor would be allowable.</i>		X*
Exempt leases <i>Comment: Marketing costs are not allowable on leases which are exempt from taxes.</i>		X
Insurance premiums on any equipment or facilities		X
Legal department salaries and expenses <i>Comment: Legal department prepares contracts for marketing gas.</i>		X

Minimum Tax: Auditors approving marketing costs must remember that costs cannot reduce the final taxable value less than the minimum taxable value on gas wells. The minimum tax is calculated on all report periods prior to October 2001.



# **REFERENCES**

**County Natural Gas Codes**

**County Average Gas Price**

**Natural Gas Volume Conversion Formulas**

**Check Digit Calculation for Taxpayer Number**

**Lease Check Digit Calculation**

**Natural Gas Tax Production Rule**

**Helpful Information**

# LIST OF NATURAL GAS CODES BY COUNTY

(Refer to these codes as an aid to completing natural gas report forms.)

County	Code
Anderson	001
Andrews	002
Angelina	003
Aransas	004
Archer	005
Armstrong	006
Atascosa	007
Austin	008
Bailey	009
Bandera	010
Bastrop	011
Baylor	012
Bee	013
Bell	014
Bexar	015
Blanco	016
Borden	017
Bosque	018
Bowie	019
Brazoria	020
Brazos	021
Brewster	022
Briscoe	023
Brooks	024
Brown	025
Burleson	026
Burnet	027
Caldwell	028
Calhoun	029
Callahan	030
Cameron	031
Camp	032
Carson	033
Cass	034
Castro	035
Chambers	036
Cherokee	037
Childress	038
Clay	039
Cochran	040
Coke	041
Coleman	042
Collin	043
Collingsworth	044
Colorado	045
Comal	046
Comanche	047
Concho	048
Cooke	049
Coryell	050
Cottle	051
Crane	052
Crockett	053
Crosby	054

County	Code
Culberson	055
Dallam	056
Dallas	057
Dawson	058
Deaf Smith	059
Delta	060
Denton	061
DeWitt	062
Dickens	063
Dimmit	064
Donley	065
Duval	066
Eastland	067
Ector	068
Edwards	069
Ellis	070
El Paso	071
Erath	072
Falls	073
Fannin	074
Fayette	075
Fisher	076
Floyd	077
Foard	078
Fort Bend	079
Franklin	080
Freestone	081
Frio	082
Gaines	083
Galveston	084
Garza	085
Gillespie	086
Glasscock	087
Goliad	088
Gonzales	089
Gray	090
Grayson	091
Gregg	092
Grimes	093
Guadalupe	094
Hale	095
Hall	096
Hamilton	097
Hansford	098
Hardeman	099
Hardin	100
Harris	101
Harrison	102
Hartley	103
Haskell	104
Hays	105
Hemphill	106
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Hidalgo	108

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Hill	109
Hockley	110
Hood	111
Hopkins	112
Houston	113
Howard	114
Hudspeth	115
Hunt	116
Hutchinson	117
Irion	118
Jack	119
Jackson	120
Jasper	121
Jeff Davis	122
Jefferson	123
Jim Hogg	124
Jim Wells	125
Johnson	126
Jones	127
Karnes	128
Kaufman	129
Kendall	130
Kenedy	131
Kent	132
Kerr	133
Kimble	134
King	135
Kinney	136
Kleberg	137
Knox	138
Lamar	139
Lamb	140
Lampasas	141
LaSalle	142
Lavaca	143
Lee	144
Leon	145
Liberty	146
Limestone	147
Lipscomb	148
Live Oak	149
Llano	150
Loving	151
Lubbock	152
Lynn	153
Madison	154
Marion	155
Martin	156
Mason	157
Matagorda	158
Maverick	159
McCulloch	160
McLennan	161
McMullen	162

County	Code
Medina	163
Menard	164
Midland	165
Milam	166
Mills	167
Mitchell	168
Montague	169
Montgomery	170
Moore	171
Morris	172
Motley	173
Nacogdoches	174
Navarro	175
Newton	176
Nolan	177
Nueces	178
Ochiltree	179
Oldham	180
Orange	181
Palo Pinto	182
Panola	183
Parker	184
Parmer	185
Pecos	186
Polk	187
Potter	188
Presidio	189
Rains	190
Randall	191
Reagan	192
Real	193
Red River	194

County	Code
Reeves	195
Refugio	196
Roberts	197
Robertson	198
Rockwall	199
Runnels	200
Rusk	201
Sabine	202
San Augustine	203
San Jacinto	204
San Patricio	205
San Saba	206
Schleicher	207
Scurry	208
Shackelford	209
Shelby	210
Sherman	211
Smith	212
Somervell	213
Starr	214
Stephens	215
Sterling	216
Stonewall	217
Sutton	218
Swisher	219
Tarrant	220
Taylor	221
Terrell	222
Terry	223
Throckmorton	224
Titus	225
Tom Green	226

County	Code
Travis	227
Trinity	228
Tyler	229
Upshur	230
Upton	231
Uvalde	232
Val Verde	233
Van Zandt	234
Victoria	235
Walker	236
Waller	237
Ward	238
Washington	239
Webb	240
Wharton	241
Wheeler	242
Wichita	243
Wilbarger	244
Willacy	245
Williamson	246
Wilson	247
Winkler	248
Wise	249
Wood	250
Yoakum	251
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## COUNTY AVERAGE GAS PRICES

The following pages list the county average gas sale prices for January 2000 through July 2003. These prices were compiled from the Gas Producers Monthly Tax Reports for the month of July 1998 and January 1999. The average values shown reflect the “wellhead” value of oil well gas and gas well gas. These values should be used to value gas

being used by you on leases from which no gas is being sold and no other guideline value is available.

Contact Tax Assistance, Tax Policy Division for additional information, toll-free at 1-800-252-1384. The regular number is 512/463-4600.

## AVERAGE GAS PRICES JULY 2000

COUNTY/CODE	CH	GW	COUNTY/CODE	CH	GW
ANDERSON/001	4.14	4.16	COLLINGSWORTH/044	3.66	4.00
ANDREWS/002	3.44	4.40	COLORADO/045	4.32	3.81
ANGELINA/003	2.04	3.79	COMAL/046	0.00	0.00
ARANSAS/004	4.24	4.64	COMMANCHE/047	4.65	3.89
ARCHER/005	2.89	0.00	CONCHO/048	3.46	3.47
ARMSTRONG/006	0.00	0.00	COOKE/049	3.83	4.48
ATASCOSA/007	3.72	3.66	CORYELL/050	0.00	0.00
AUSTIN/008	3.62	3.44	COTTLE/051	2.15	5.13
BAILEY/009	0.00	0.00	CRANE/052	3.71	3.57
BANDERA/010	0.00	0.00	CROCKETT/053	3.57	4.27
BASTROP/011	2.65	0.00	CROSBY/054	1.51	1.79
BAYLOR/012	0.00	0.00	CULBERSON/055	3.97	4.11
BEE/013	4.15	4.02	DALLAM/056	0.00	0.00
BELL/014	0.00	0.00	DALLAS/057	0.00	0.00
BEXAR/015	0.00	0.00	DAWSON/058	2.96	3.47
BLANCO/016	0.00	0.00	DEAF SMITH/059	0.00	0.00
BORDEN/017	3.57	0.00	DELTA/060	0.00	0.00
BOSQUE/018	0.00	4.70	DENTON/061	0.00	3.69
BOWIE/019	0.00	3.54	DEWITT/062	3.49	4.09
BRAZORIA/020	4.63	4.36	DICKENS/063	0.00	0.00
BRAZOS/021	4.57	3.98	DIMITT/064	4.06	4.20
BREWSTER/022	0.00	0.00	DONLEY/065	0.00	4.10
BRISCOE/023	0.00	0.00	DUVAL/066	4.25	4.08
BROOKS/024	4.36	4.47	EASTLAND/067	4.32	4.55
BROWN/025	3.22	3.28	ECTOR/068	3.69	3.76
BURLESON/026	4.60	4.11	EDWARDS/069	0.00	4.15
BURNET/027	0.00	0.00	ELLIS/070	0.00	0.00
CALDWELL/028	1.60	0.00	EL PASO/071	0.00	0.00
CALHOUN/029	4.00	4.31	ERATH/072	3.58	4.25
CALLAHAN/030	3.92	3.72	FALLS/073	0.00	3.09
CAMERON/031	0.00	3.89	FANNIN/074	0.00	0.00
CAMP/032	0.00	0.00	FAYETTE/075	4.26	4.12
CARSON/033	4.84	4.21	FISHER/076	2.80	3.48
CASS/034	3.13	3.54	FLOYD/077	0.00	0.00
CASTRO/035	0.00	0.00	FOARD/078	0.42	0.37
CHAMBERS/036	4.25	4.38	FORT BEND/079	4.41	4.46
CHEROKEE/037	4.33	4.06	FRANKLIN/080	0.00	3.22
CHILDRESS/038	0.00	0.00	FREESTONE/081	4.34	3.89
CLAY/039	2.48	3.42	FRIO/082	3.47	3.93
COCHRAN/040	2.44	3.05	GAINES/083	3.33	4.30
COKE/041	4.58	4.19	GALVESTON/084	4.21	4.51
COLEMAN/042	4.44	3.66	GARZA/085	1.18	0.90
COLLIN/043	0.00	0.00	GILLESPIE/086	0.00	0.00



## AVERAGE GAS PRICES JULY 2000

COUNTY/CODE	CH	GW	COUNTY/CODE	CH	GW
GLASSCOCK/087	4.41	4.01	KENDALL/130	0.00	0.00
GOLIAD/088	3.82	4.22	KENEDY/131	4.42	4.31
GONZALES/089	4.75	0.00	KENT/132	1.38	0.00
GRAY/090	6.19	4.22	KERR/133	0.00	0.00
GRAYSON/091	3.76	3.86	KIMBLE/134	0.00	4.25
GREGG/092	3.15	4.14	KING/135	2.41	3.85
GRIMES/093	4.23	3.84	KINNEY/136	0.00	0.00
GUADALUPE/094	1.84	0.00	KLEBERG/137	4.81	4.44
HALE/095	2.31	0.00	KNOX/138	1.90	0.00
HALL/096	0.00	0.00	LAMAR/139	0.00	0.00
HAMILTON/097	0.00	4.46	LAMB/140	0.00	4.01
HANSFORD/098	3.86	3.56	LAMPASAS/141	0.00	0.00
HARDEMAN/099	2.83	0.00	LA SALLE/142	4.04	3.89
HARDIN/100	3.71	4.62	LAVACA/143	4.22	3.79
HARRIS/101	3.77	4.08	LEE/144	4.91	4.10
HARRISON/102	3.91	4.10	LEON/145	3.97	3.48
HARTLEY/103	0.00	2.05	LIBERTY/146	4.31	4.34
HASKELL/104	2.40	1.53	LIMESTONE/147	0.00	3.91
HAYS/105	0.00	0.00	LIPSCOMB/148	4.04	3.97
HEMPHILL/106	4.15	3.89	LIVE OAK/149	4.41	4.33
HENDERSON/107	4.83	3.84	LLANO/150	0.00	0.00
HIDALGO/108	4.53	4.55	LOVING/151	3.37	3.15
HILL/109	0.00	0.00	LUBBOCK/152	0.40	0.00
HOCKLEY/110	1.41	2.37	LYNN/153	3.47	0.00
HOOD/111	3.72	3.40	MADISON/154	5.22	4.34
HOPKINS/112	0.33	0.60	MARION/155	3.36	4.19
HOUSTON/113	5.15	4.09	MARTIN/156	4.06	5.41
HOWARD/114	3.69	3.71	MASON/157	0.00	4.06
HUDSPETH/115	0.00	0.00	MATAGORDA/158	4.39	4.24
HUNT/116	0.00	0.00	MAVERICK/159	4.29	4.41
HUTCHINSON/117	5.56	3.98	MCCULLOCH/160	1.58	0.92
IRION/118	4.57	4.40	MCCLENNAN/161	0.00	3.76
JACK/119	4.18	4.00	MCMULLEN/162	5.31	4.19
JACKSON/120	4.28	4.39	MEDINA/163	0.00	0.00
JASPER/121	3.22	4.10	MENARD/164	0.00	0.78
JEFF DAVIS/122	0.00	0.00	MIDLAND/165	4.41	3.68
JEFFERSON/123	3.33	4.43	MILAM/166	4.18	0.00
JIM HOGG/124	4.37	3.68	MILLS/167	0.00	0.00
JIM WELLS/125	4.32	4.13	MITCHELL/168	2.99	0.00
JOHNSON/126	0.00	4.16	MONTAGUE/169	3.94	3.73
JONES/127	3.95	3.63	MONTGOMERY	4.05	4.31
KARNES/128	3.11	4.01	MOORE/171	4.65	3.18
KAUFMAN/129	0.00	0.00	MORRIS/172	0.00	0.00

## AVERAGE GAS PRICES JULY 2000

COUNTY/CODE	CH	GW	COUNTY/CODE	CH	GW
MOTLEY/173	0.00	0.00	STERLING/216	4.46	4.54
NACOGDOCHES	4.17	4.15	STONEWALL/217	2.32	2.16
NAVARRO/175	3.58	4.04	SUTTON/218	4.14	4.22
NEWTON/176	4.61	4.40	SWISHER/219	0.00	0.00
NOLAN/177	4.35	3.68	TARRANT/220	0.00	3.83
NUECES/178	3.91	4.28	TAYLOR/221	3.98	2.46
OCHILTREE/179	1.67	1.51	TERRELL/222	4.83	3.01
OLDHAM/180	0.00	3.44	TERRY/223	2.29	2.42
ORANGE/181	4.71	4.73	THROCKMORTON/224	3.70	3.53
PALO PINTO/182	3.68	3.71	TITUS/225	0.00	0.00
PANOLA/183	3.35	3.74	TOM GREEN/226	4.44	4.13
PARKER/184	3.69	3.36	TRAVIS/227	0.00	0.00
PARMER/185	0.00	0.00	TRINITY/228	4.48	3.69
PECOS/186	4.15	2.87	TYLER/229	4.22	3.79
POLK/187	4.15	4.60	UPSHUR/230	3.34	4.23
POTTER/188	1.95	2.25	UPTON/231	4.12	3.76
PRESIDIO/189	0.00	0.00	UVALDE/232	0.00	0.00
RAINS/190	0.00	1.46	VAL VERDE/233	0.00	3.67
RANDALL/191	0.00	0.00	VAN ZANDT/234	2.43	2.02
REAGAN/192	4.37	4.13	VICTORIA/235	3.93	4.23
REAL/193	0.00	0.00	WALKER/236	4.57	3.98
RED RIVER/194	0.00	0.00	WALLER/237	3.18	3.72
REEVES/195	3.57	3.79	WARD/238	4.03	3.42
REFUGIO/196	3.82	4.20	WASHINGTON/239	4.46	3.68
ROBERTS/197	4.68	4.26	WEBB/240	4.10	4.26
ROBERTSON/198	4.66	3.85	WHARTON/241	4.17	4.51
ROCKWALL/199	0.00	0.00	WHEELER/242	5.41	3.80
RUNNELS/200	3.58	3.75	WICHITA/243	0.54	0.00
RUSK/201	3.62	3.93	WILBARGER/244	0.30	0.00
SABINE/202	3.29	3.29	WILLACY/245	4.21	4.28
SAN AUGUSTINE/203	2.23	0.00	WILLIAMSON	0.00	0.00
SAN JACINTO/204	3.52	4.81	WILSON/247	0.00	0.00
SAN PATRICIO/205	4.51	4.55	WINKLER/248	4.14	4.24
SAN SABA/206	0.00	0.00	WISE/249	4.02	3.80
SCHLEICHER/207	3.83	4.04	WOOD/250	4.13	4.04
SCURRY/208	1.25	2.65	YOAKUM/251	3.41	2.02
SHACKELFORD/209	3.62	3.54	YOUNG/252	3.73	3.86
SHELBY/210	3.89	2.81	ZAPATA/253	4.01	4.07
SHERMAN/211	2.56	3.19	ZAVALA/254	3.78	3.46
SMITH/212	4.14	3.97			
SOMERVELL/213	4.28	1.28			
STARR/214	4.80	4.42			
STEPHENS/215	4.32	4.17			

**AVERAGE GAS PRICES  
JANUARY 2001**

COUNTY/CODE	CH	GW	COUNTY/CODE	CH	GW
ANDERSON/001	9.52	9.66	COLLINGSWORTH/044	8.74	8.61
ANDREWS/002	6.88	6.65	COLORADO/045	8.62	9.33
ANGELINA/003	1.80	8.58	COMAL/046	0.00	0.00
ARANSAS/004	10.89	10.36	COMMANCHE/047	9.57	8.72
ARCHER/005	7.46	0.00	CONCHO/048	7.86	7.54
ARMSTRONG/006	0.00	0.00	COOKE/049	8.14	9.38
ATASCOSA/007	8.75	7.94	CORYELL/050	0.00	0.00
AUSTIN/008	0.00	8.54	COTTLE/051	2.70	7.18
BAILEY/009	0.00	0.00	CRANE/052	6.21	6.63
BANDERA/010	0.00	0.00	CROCKETT/053	6.52	8.20
BASTROP/011	1.98	0.00	CROSBY/054	4.58	4.59
BAYLOR/012	0.00	0.00	CULBERSON/055	8.87	9.78
BEE/013	8.72	8.15	DALLAM/056	0.00	0.00
BELL/014	0.00	0.00	DALLAS/057	0.00	0.00
BEXAR/015	0.00	0.00	DAWSON/058	5.51	0.00
BLANCO/016	0.00	0.00	DEAF SMITH/059	0.00	0.00
BORDEN/017	6.54	7.08	DELTA/060	0.00	0.00
BOSQUE/018	0.00	0.00	DENTON/061	0.00	8.42
BOWIE/019	0.00	5.17	DEWITT/062	7.61	9.61
BRAZORIA/020	8.77	9.60	DICKENS/063	0.00	0.00
BRAZOS/021	9.62	9.17	DIMMIT/064	8.95	9.09
BREWSTER/022	0.00	0.00	DONLEY/065	0.00	9.10
BRISCOE/023	0.00	0.00	DUVAL/066	9.03	8.92
BROOKS/024	7.68	9.40	EASTLAND/067	7.52	7.08
BROWN/025	6.49	5.12	ECTOR/068	6.68	5.31
BURLESON/026	8.02	8.20	EDWARDS/069	0.00	9.21
BURNET/027	0.00	0.00	ELLIS/070	0.00	0.00
CALDWELL/028	3.74	0.00	EL PASO/071	0.00	0.00
CALHOUN/029	8.32	8.13	ERATH/072	0.00	9.34
CALLAHAN/030	6.74	7.01	FALLS/073	0.00	9.48
CAMERON/031	0.00	8.48	FANNIN/074	0.00	0.00
CAMP/032	0.00	3.12	FAYETTE/075	8.49	8.25
CARSON/033	8.85	8.55	FISHER/076	5.64	7.24
CASS/034	7.91	8.16	FLOYD/077	0.00	0.00
CASTRO/035	0.00	0.00	FOARD/078	0.42	0.41
CHAMBERS/036	8.31	9.26	FORT BEND/079	7.10	7.40
CHEROKEE/037	9.24	8.43	FRANKLIN/080	0.00	4.07
CHILDRESS/038	0.00	0.00	FREESTONE/081	8.89	8.85
CLAY/039	5.40	7.63	FRIO/082	7.35	10.19
COCHRAN/040	4.71	0.00	GAINES/083	3.80	8.51
COKE/041	7.54	7.60	GALVESTON/084	10.81	10.39
COLEMAN/042	7.20	8.06	GARZA/085	3.42	5.56
COLLIN/043	0.00	0.00	GILLESPIE/086	0.00	0.00



**AVERAGE GAS PRICES  
JANUARY 2001**

COUNTY/CODE	CH	GW	COUNTY/CODE	CH	GW
GLASSCOCK/087	8.41	8.81	KENDALL/130	0.00	0.00
GOLIAD/088	7.74	9.45	KENEDY/131	9.50	9.96
GONZALES/089	9.33	0.00	KENT/132	2.39	0.00
GRAY/090	10.68	7.94	KERR/133	0.00	0.00
GRAYSON/091	7.49	8.31	KIMBLE/134	0.00	9.95
GREGG/092	5.97	9.01	KING/135	3.49	7.74
GRIMES/093	9.00	8.26	KINNEY/136	0.00	0.00
GUADALUPE/094	4.33	0.00	KLEBERG/137	8.67	8.31
HALE/095	4.15	0.00	KNOX/138	1.00	0.00
HALL/096	0.00	0.00	LAMAR/139	0.00	0.00
HAMILTON/097	0.00	9.97	LAMB/140	0.00	0.00
HANSFORD/098	7.07	7.45	LAMPASAS/141	0.00	0.00
HARDEMAN/099	3.64	0.00	LA SALLE/142	8.06	7.75
HARDIN/100	7.24	9.86	LAVACA/143	8.37	8.67
HARRIS/101	8.77	8.86	LEE/144	8.62	9.00
HARRISON/102	8.93	9.53	LEON/145	9.05	7.45
HARTLEY/103	0.00	6.72	LIBERTY/146	8.04	8.38
HASKELL/104	4.38	3.49	LIMESTONE/147	0.00	9.18
HAYS/105	0.00	0.00	LIPSCOMB/148	8.34	8.45
HEMPHILL/106	8.97	8.25	LIVE OAK/149	8.22	9.26
HENDERSON/107	7.66	7.97	LLANO/150	0.00	0.00
HIDALGO/108	8.94	9.41	LOVING/151	6.36	7.56
HILL/109	0.00	0.00	LUBBOCK/152	1.85	0.00
HOCKLEY/110	2.25	4.34	LYNN/153	6.58	0.00
HOOD/111	8.50	8.44	MADISON/154	10.30	8.79
HOPKINS/112	0.60	0.51	MARION/155	6.82	9.01
HOUSTON/113	0.00	8.69	MARTIN/156	7.94	9.05
HOWARD/114	6.78	7.81	MASON/157	0.00	9.68
HUDSPETH/115	0.00	0.00	MATAGORDA/158	7.47	8.90
HUNT/116	0.00	0.00	MAVERICK/159	7.34	9.71
HUTCHINSON/117	8.84	8.37	MCCULLOCH/160	4.53	3.15
IRION/118	7.94	7.92	MCLENNAN/161	0.00	8.38
JACK/119	8.17	7.81	MCMULLEN/162	13.08	8.60
JACKSON/120	9.39	9.13	MEDINA/163	0.00	0.00
JASPER/121	6.96	9.35	MENARD/164	3.88	7.73
JEFF DAVIS/122	0.00	0.00	MIDLAND/165	7.97	7.28
JEFFERSON/123	8.93	9.87	MILAM/166	3.54	0.00
JIM HOGG/124	8.06	8.89	MILLS/167	0.00	0.00
JIM WELLS/125	7.26	9.09	MITCHELL/168	5.13	0.00
JOHNSON/126	0.00	9.48	MONTAGUE/169	7.42	6.27
JONES/127	7.79	7.74	MONTGOMERY	8.66	9.17
KARNES/128	8.02	8.01	MOORE/171	8.75	7.28
KAUFMAN/129	0.00	0.00	MORRIS/172	0.00	0.00

## AVERAGE GAS PRICES JANUARY 2001

COUNTY/CODE	CH	GW	COUNTY/CODE	CH	GW
MOTLEY/173	0.00	0.00	STERLING/216	8.74	8.44
NACOGDOCHES	9.73	9.63	STONEWALL/217	3.69	4.78
NAVARRO/175	8.59	7.55	SUTTON/218	9.35	8.97
NEWTON/176	9.41	8.08	SWISHER/219	0.00	0.00
NOLAN/177	7.89	7.03	TARRANT/220	0.00	8.55
NUECES/178	8.83	9.87	TAYLOR/221	7.87	6.64
OCHILTREE/179	8.17	8.47	TERRELL/222	10.93	6.59
OLDHAM/180	0.00	6.96	TERRY/223	4.03	3.12
ORANGE/181	10.19	5.70	THROCKMORTON/224	6.76	7.01
PALO PINTO/182	7.59	7.48	TITUS/225	0.00	0.00
PANOLA/183	8.84	9.15	TOM GREEN/226	8.32	7.54
PARKER/184	8.16	7.82	TRAVIS/227	0.00	0.00
PARMER/185	0.00	0.00	TRINITY/228	10.60	9.20
PECOS/186	8.64	6.92	TYLER/229	1.83	7.93
POLK/187	8.56	9.87	UPSHUR/230	7.71	9.03
POTTER/188	8.54	7.89	UPTON/231	7.78	8.00
PRESIDIO/189	0.00	0.00	UVALDE/232	0.00	0.00
RAINS/190	0.00	1.03	VAL VERDE/233	0.00	7.55
RANDALL/191	0.00	0.00	VAN ZANDT/234	4.38	3.50
REAGAN/192	7.89	8.29	VICTORIA/235	8.88	9.57
REAL/193	0.00	0.00	WALKER/236	10.01	7.87
RED RIVER/194	0.00	0.00	WALLER/237	7.72	7.56
REEVES/195	6.95	8.46	WARD/238	8.18	8.46
REFUGIO/196	9.63	9.60	WASHINGTON/239	7.78	7.80
ROBERTS/197	8.72	8.59	WEBB/240	8.36	9.00
ROBERTSON/198	8.35	8.69	WHARTON/241	9.48	9.56
ROCKWALL/199	0.00	0.00	WHEELER/242	8.69	8.14
RUNNELS/200	6.99	6.87	WICHITA/243	0.95	0.00
RUSK/201	7.21	7.76	WILBARGER/244	0.30	0.00
SABINE/202	6.95	0.00	WILLACY/245	9.41	9.14
SAN AUGUSTINE/203	7.69	0.00	WILLIAMSON	0.00	0.00
SAN JACINTO/204	4.37	8.36	WILSON/247	0.00	0.00
SAN PATRICIO/205	8.64	8.92	WINKLER/248	7.10	8.34
SAN SABA/206	0.00	0.00	WISE/249	7.97	8.15
SCHLEICHER/207	7.47	7.85	WOOD/250	3.09	3.55
SCURRY/208	2.44	3.50	YOAKUM/251	4.67	3.52
SHACKELFORD/209	7.99	7.12	YOUNG/252	7.38	7.68
SHELBY/210	8.79	9.16	ZAPATA/253	9.25	8.98
SHERMAN/211	8.68	6.49	ZAVALA/254	8.38	8.68
SMITH/212	7.87	9.00			
SOMERVELL/213	9.76	5.74			
STARR/214	9.59	9.51			
STEPHENS/215	7.21	8.16			



## AVERAGE GAS PRICES JULY 2001

COUNTY/CODE	CH	GW	COUNTY/CODE	CH	GW
ANDERSON/001	3.07	2.90	COLLINGSWORTH/044	2.35	2.77
ANDREWS/002	2.92	2.35	COLORADO/045	2.83	3.00
ANGELINA/003	1.25	2.64	COMAL/046	0.00	0.00
ARANSAS/004	3.39	3.69	COMMANCHE/047	3.69	2.64
ARCHER/005	2.54	0.00	CONCHO/048	2.90	2.47
ARMSTRONG/006	0.00	0.00	COOKE/049	2.71	2.47
ATASCOSA/007	2.19	2.34	CORYELL/050	0.00	0.00
AUSTIN/008	1.93	2.51	COTTLE/051	0.87	3.77
BAILEY/009	0.00	0.00	CRANE/052	2.49	2.43
BANDERA/010	0.00	0.00	CROCKETT/053	2.69	3.07
BASTROP/011	1.36	0.00	CROSBY/054	1.16	1.16
BAYLOR/012	0.00	0.00	CULBERSON/055	2.75	2.99
BEE/013	2.78	3.14	DALLAM/056	0.00	0.00
BELL/014	0.00	0.00	DALLAS/057	0.00	0.00
BEXAR/015	0.00	0.00	DAWSON/058	2.85	2.35
BLANCO/016	0.00	0.00	DEAF SMITH/059	0.00	0.00
BORDEN/017	2.89	0.00	DELTA/060	0.00	0.00
BOSQUE/018	0.00	0.00	DENTON/061	0.00	2.67
BOWIE/019	0.00	1.53	DEWITT/062	2.14	3.09
BRAZORIA/020	3.08	3.14	DICKENS/063	0.00	0.00
BRAZOS/021	3.29	2.98	DIMMIT/064	2.79	2.88
BREWSTER/022	0.00	0.00	DONLEY/065	0.00	2.87
BRISCOE/023	0.00	0.00	DUVAL/066	2.96	2.89
BROOKS/024	3.16	3.32	EASTLAND/067	2.95	3.08
BROWN/025	2.98	2.53	ECTOR/068	2.50	2.19
BURLESON/026	3.32	3.03	EDWARDS/069	2.87	2.88
BURNET/027	0.00	0.00	ELLIS/070	0.00	0.00
CALDWELL/028	1.10	0.00	EL PASO/071	0.00	0.00
CALHOUN/029	2.63	3.27	ERATH/072	0.00	3.80
CALLAHAN/030	2.84	2.70	FALLS/073	0.00	0.00
CAMERON/031	0.00	2.66	FANNIN/074	0.00	0.00
CAMP/032	0.00	0.85	FAYETTE/075	3.28	2.81
CARSON/033	3.60	3.06	FISHER/076	3.04	2.76
CASS/034	2.35	2.27	FLOYD/077	0.00	0.00
CASTRO/035	0.00	0.00	FOARD/078	0.42	0.43
CHAMBERS/036	3.08	3.33	FORT BEND/079	3.29	3.29
CHEROKEE/037	2.79	2.84	FRANKLIN/080	0.00	1.76
CHILDRESS/038	0.00	0.00	FREESTONE/081	2.78	2.98
CLAY/039	2.66	2.95	FRIO/082	2.20	2.48
COCHRAN/040	0.83	0.27	GAINES/083	2.35	1.28
COKE/041	3.23	3.08	GALVESTON/084	3.16	3.42
COLEMAN/042	2.74	2.57	GARZA/085	0.44	0.55
COLLIN/043	0.00	0.00	GILLESPIE/086	0.00	0.00



## AVERAGE GAS PRICES JULY 2001

COUNTY/CODE	CH	GW	COUNTY/CODE	CH	GW
GLASSCOCK/087	3.33	3.35	KENDALL/130	0.00	0.00
GOLIAD/088	2.78	3.09	KENEDY/131	3.00	3.23
GONZALES/089	3.41	2.97	KENT/132	1.25	0.00
GRAY/090	4.18	2.88	KERR/133	0.00	0.00
GRAYSON/091	2.93	2.98	KIMBLE/134	0.00	3.09
GREGG/092	2.07	3.08	KING/135	1.71	2.35
GRIMES/093	3.19	2.85	KINNEY/136	0.00	0.00
GUADALUPE/094	1.33	0.00	KLEBERG/137	2.82	3.35
HALE/095	2.44	0.00	KNOX/138	0.00	0.00
HALL/096	0.00	0.00	LAMAR/139	0.00	0.00
HAMILTON/097	0.00	3.24	LAMB/140	0.00	0.00
HANSFORD/098	3.03	2.50	LAMPASAS/141	0.00	0.00
HARDEMAN/099	2.09	0.00	LA SALLE/142	2.89	2.87
HARDIN/100	2.92	3.39	LAVACA/143	3.08	2.81
HARRIS/101	3.14	3.40	LEE/144	3.61	2.50
HARRISON/102	2.77	3.01	LEON/145	3.26	2.65
HARTLEY/103	0.00	2.03	LIBERTY/146	3.19	3.36
HASKELL/104	2.31	1.31	LIMESTONE/147	2.96	2.88
HAYS/105	0.00	0.00	LIPSCOMB/148	2.76	2.62
HEMPHILL/106	3.01	2.58	LIVE OAK/149	2.66	3.05
HENDERSON/107	3.28	3.15	LLANO/150	0.00	0.00
HIDALGO/108	3.38	3.29	LOVING/151	2.75	2.97
HILL/109	0.00	0.00	LUBBOCK/152	1.67	0.00
HOCKLEY/110	2.06	1.64	LYNN/153	2.67	2.90
HOOD/111	2.46	3.43	MADISON/154	3.55	3.15
HOPKINS/112	0.60	0.57	MARION/155	1.88	2.86
HOUSTON/113	3.77	2.85	MARTIN/156	2.70	2.79
HOWARD/114	2.66	2.71	MASON/157	0.00	2.88
HUDSPETH/115	0.00	0.00	MATAGORDA/158	3.19	3.21
HUNT/116	0.00	0.00	MAVERICK/159	3.18	3.16
HUTCHINSON/117	3.68	2.66	MCCULLOCH/160	1.97	1.20
IRION/118	2.98	3.02	MCLENNAN/161	0.00	2.69
JACK/119	2.97	2.97	MCMULLEN/162	3.90	2.91
JACKSON/120	2.97	3.12	MEDINA/163	0.00	0.00
JASPER/121	2.96	3.07	MENARD/164	0.00	1.76
JEFF DAVIS/122	0.00	0.00	MIDLAND/165	3.23	2.59
JEFFERSON/123	2.01	3.42	MILAM/166	2.97	0.00
JIM HOGG/124	2.97	2.93	MILLS/167	0.00	0.00
JIM WELLS/125	3.15	3.23	MITCHELL/168	2.42	0.00
JOHNSON/126	0.00	3.01	MONTAGUE/169	2.72	3.06
JONES/127	3.03	3.43	MONTGOMERY	3.02	3.03
KARNES/128	2.58	2.86	MOORE/171	2.96	2.56
KAUFMAN/129	0.00	0.00	MORRIS/172	0.00	0.00

## AVERAGE GAS PRICES JULY 2001

COUNTY/CODE	CH	GW	COUNTY/CODE	CH	GW
MOTLEY/173	0.00	0.00	STERLING/216	3.45	3.27
NACOGDOCHES	2.96	2.93	STONEWALL/217	1.06	2.73
NAVARRO/175	3.48	3.14	SUTTON/218	2.60	3.03
NEWTON/176	3.25	2.93	SWISHER/219	0.00	0.00
NOLAN/177	3.35	2.94	TARRANT/220	0.00	2.69
NUECES/178	3.11	3.31	TAYLOR/221	2.80	2.46
OCHILTREE/179	2.86	2.72	TERRELL/222	3.38	2.76
OLDHAM/180	0.00	1.98	TERRY/223	2.03	0.00
ORANGE/181	3.03	3.43	THROCKMORTON/224	2.16	2.52
PALO PINTO/182	2.57	2.87	TITUS/225	0.00	1.16
PANOLA/183	3.02	2.99	TOM GREEN/226	3.21	3.00
PARKER/184	2.84	2.64	TRAVIS/227	0.00	0.00
PARMER/185	0.00	0.00	TRINITY/228	3.21	1.67
PECOS/186	2.60	2.21	TYLER/229	2.55	2.42
POLK/187	3.04	3.45	UPSHUR/230	2.40	2.99
POTTER/188	2.64	2.10	UPTON/231	3.10	2.96
PRESIDIO/189	0.00	0.00	UVALDE/232	0.00	0.00
RAINS/190	0.37	0.61	VAL VERDE/233	0.00	2.67
RANDALL/191	0.00	0.00	VAN ZANDT/234	1.45	1.37
REAGAN/192	3.18	2.78	VICTORIA/235	2.64	3.21
REAL/193	0.00	0.00	WALKER/236	3.67	2.59
RED RIVER/194	0.00	0.00	WALLER/237	0.84	2.19
REEVES/195	2.47	2.76	WARD/238	2.98	2.86
REFUGIO/196	2.64	2.71	WASHINGTON/239	3.04	2.49
ROBERTS/197	3.56	3.04	WEBB/240	3.19	3.09
ROBERTSON/198	3.00	2.85	WHARTON/241	3.25	3.30
ROCKWALL/199	0.00	0.00	WHEELER/242	3.97	2.84
RUNNELS/200	2.47	2.48	WICHITA/243	0.56	0.00
RUSK/201	2.42	2.98	WILBARGER/244	0.30	0.00
SABINE/202	2.34	2.97	WILLACY/245	3.04	3.24
SAN AUGUSTINE/203	0.81	0.00	WILLIAMSON	0.00	0.00
SAN JACINTO/204	4.91	4.00	WILSON/247	0.00	0.00
SAN PATRICIO/205	2.80	3.20	WINKLER/248	3.15	3.03
SAN SABA/206	0.00	0.00	WISE/249	3.11	2.86
SCHLEICHER/207	2.79	2.95	WOOD/250	1.81	2.09
SCURRY/208	2.86	2.11	YOAKUM/251	2.81	3.27
SHACKELFORD/209	2.90	2.64	YOUNG/252	2.51	2.95
SHELBY/210	2.63	2.92	ZAPATA/253	2.81	2.86
SHERMAN/211	2.64	2.12	ZAVALA/254	3.61	2.45
SMITH/212	2.82	2.98			
SOMERVELL/213	3.21	1.59			
STARR/214	3.57	3.32			
STEPHENS/215	2.90	3.01			

## AVERAGE GAS PRICES JANUARY 2002

COUNTY/CODE	CH	GW	COUNTY/CODE	CH	GW
ANDERSON/001	2.14	2.16	COLLINGSWORTH/044	1.71	2.01
ANDREWS/002	2.27	1.70	COLORADO/045	2.04	2.30
ANGELINA/003	1.80	1.86	COMAL/046	0.00	0.00
ARANSAS/004	2.43	2.76	COMMANCHE/047	2.42	2.09
ARCHER/005	1.68	0.00	CONCHO/048	1.99	1.81
ARMSTRONG/006	0.00	0.00	COOKE/049	2.13	1.38
ATASCOSA/007	1.45	1.88	CORYELL/050	0.00	0.00
AUSTIN/008	2.22	2.03	COTTLE/051	0.57	2.85
BAILEY/009	0.00	0.00	CRANE/052	2.30	1.92
BANDERA/010	0.00	0.00	CROCKETT/053	2.09	2.33
BASTROP/011	1.47	0.00	CROSBY/054	0.91	0.91
BAYLOR/012	0.00	0.00	CULBERSON/055	1.99	2.27
BEE/013	2.00	2.19	DALLAM/056	0.00	0.00
BELL/014	0.00	0.00	DALLAS/057	0.00	0.00
BEXAR/015	0.00	0.00	DAWSON/058	2.00	0.00
BLANCO/016	0.00	0.00	DEAF SMITH/059	0.00	0.00
BORDEN/017	2.04	0.00	DELTA/060	0.00	0.00
BOSQUE/018	0.00	0.00	DENTON/061	1.85	1.90
BOWIE/019	0.00	1.26	DEWITT/062	1.80	2.47
BRAZORIA/020	2.46	2.48	DICKENS/063	0.00	0.00
BRAZOS/021	2.61	2.03	DIMITT/064	2.02	1.85
BREWSTER/022	0.00	0.00	DONLEY/065	0.00	2.15
BRISCOE/023	0.00	0.00	DUVAL/066	2.38	2.26
BROOKS/024	2.45	2.68	EASTLAND/067	2.16	2.30
BROWN/025	1.77	1.99	ECTOR/068	1.80	1.75
BURLESON/026	2.60	2.50	EDWARDS/069	2.19	2.20
BURNET/027	0.00	0.00	ELLIS/070	0.00	0.00
CALDWELL/028	1.00	0.00	EL PASO/071	0.00	0.00
CALHOUN/029	1.66	2.56	ERATH/072	0.00	3.54
CALLAHAN/030	2.27	2.12	FALLS/073	0.00	0.00
CAMERON/031	0.00	1.96	FANNIN/074	0.00	0.00
CAMP/032	0.00	0.31	FAYETTE/075	2.52	2.08
CARSON/033	2.76	2.02	FISHER/076	2.33	2.13
CASS/034	2.20	1.54	FLOYD/077	0.00	0.00
CASTRO/035	0.00	0.00	FOARD/078	0.42	0.36
CHAMBERS/036	2.29	2.51	FORT BEND/079	2.72	2.42
CHEROKEE/037	2.22	2.18	FRANKLIN/080	0.00	1.25
CHILDRESS/038	0.00	0.00	FREESTONE/081	1.92	2.19
CLAY/039	1.68	1.89	FRIO/082	1.66	1.61
COCHRAN/040	1.43	1.99	GAINES/083	2.09	1.26
COKE/041	2.58	2.00	GALVESTON/084	2.35	2.57
COLEMAN/042	2.05	2.11	GARZA/085	0.59	0.00
COLLIN/043	0.00	0.00	GILLESPIE/086	0.00	0.00



**AVERAGE GAS PRICES  
JANUARY 2002**

<u>COUNTY/CODE</u>	<u>CH</u>	<u>GW</u>	<u>COUNTY/CODE</u>	<u>CH</u>	<u>GW</u>
GLASSCOCK/087	2.36	1.88	KENDALL/130	0.00	0.00
GOLIAD/088	2.36	2.43	KENEDY/131	2.64	2.63
GONZALES/089	1.90	1.81	KENT/132	0.97	0.00
GRAY/090	3.41	2.28	KERR/133	0.00	0.00
GRAYSON/091	2.37	2.37	KIMBLE/134	0.00	2.10
GREGG/092	1.64	2.16	KING/135	1.01	1.73
GRIMES/093	2.36	1.97	KINNEY/136	0.00	0.00
GUADALUPE/094	0.82	0.00	KLEBERG/137	2.48	2.62
HALE/095	0.51	0.00	KNOX/138	0.00	0.00
HALL/096	0.00	0.00	LAMAR/139	0.00	0.00
HAMILTON/097	0.00	2.52	LAMB/140	0.00	0.00
HANSFORD/098	2.32	2.02	LAMPASAS/141	0.00	0.00
HARDEMAN/099	1.53	0.00	LA SALLE/142	2.18	2.32
HARDIN/100	2.42	2.83	LAVACA/143	2.46	2.16
HARRIS/101	2.43	2.52	LEE/144	2.75	1.96
HARRISON/102	2.15	2.25	LEON/145	2.10	2.02
HARTLEY/103	0.00	1.84	LIBERTY/146	2.38	2.71
HASKELL/104	1.60	1.30	LIMESTONE/147	1.98	1.94
HAYS/105	0.00	0.00	LIPSCOMB/148	2.33	2.22
HEMPHILL/106	2.37	2.27	LIVE OAK/149	2.06	2.13
HENDERSON/107	2.50	2.36	LLANO/150	0.00	0.00
HIDALGO/108	2.49	2.45	LOVING/151	2.07	1.59
HILL/109	0.00	0.00	LUBBOCK/152	1.01	0.00
HOCKLEY/110	1.87	1.36	LYNN/153	1.90	1.98
HOOD/111	2.43	2.74	MADISON/154	2.46	2.30
HOPKINS/112	0.60	0.54	MARION/155	1.82	2.20
HOUSTON/113	2.49	2.10	MARTIN/156	2.12	1.74
HOWARD/114	2.21	2.33	MASON/157	0.00	2.22
HUDSPETH/115	0.00	0.00	MATAGORDA/158	2.50	2.51
HUNT/116	0.00	0.00	MAVERICK/159	1.77	2.23
HUTCHINSON/117	2.85	2.19	MCCULLOCH/160	1.70	0.98
IRION/118	2.52	2.37	MCLENNAN/161	0.00	2.09
JACK/119	2.49	2.26	MCMULLEN/162	2.67	2.23
JACKSON/120	1.94	2.33	MEDINA/163	0.00	0.00
JASPER/121	1.62	2.41	MENARD/164	0.00	0.00
JEFF DAVIS/122	0.00	0.00	MIDLAND/165	2.46	2.24
JEFFERSON/123	2.15	2.56	MILAM/166	2.44	0.00
JIM HOGG/124	2.41	2.28	MILLS/167	0.00	0.00
JIM WELLS/125	2.44	2.53	MITCHELL/168	1.46	0.00
JOHNSON/126	0.00	2.20	MONTAGUE/169	2.28	2.47
JONES/127	2.23	2.04	MONTGOMERY	2.02	2.02
KARNES/128	1.31	2.12	MOORE/171	2.33	2.11
KAUFMAN/129	0.00	0.00	MORRIS/172	0.00	0.00

## AVERAGE GAS PRICES JANUARY 2002

COUNTY/CODE	CH	GW	COUNTY/CODE	CH	GW
MOTLEY/173	0.00	0.00	STERLING/216	2.62	2.36
NACOGDOCHES	2.35	2.29	STONEWALL/217	1.34	1.26
NAVARRO/175	3.03	2.32	SUTTON/218	1.99	2.12
NEWTON/176	2.28	2.41	SWISHER/219	0.00	0.00
NOLAN/177	2.55	2.22	TARRANT/220	0.00	2.09
NUECES/178	2.46	2.53	TAYLOR/221	2.15	1.72
OCHILTREE/179	2.25	2.20	TERRELL/222	2.61	2.07
OLDHAM/180	0.00	1.76	TERRY/223	1.64	0.00
ORANGE/181	2.33	2.75	THROCKMORTON/224	2.09	2.09
PALO PINTO/182	2.37	2.25	TITUS/225	0.00	0.69
PANOLA/183	2.33	2.23	TOM GREEN/226	2.34	2.11
PARKER/184	2.48	2.17	TRAVIS/227	0.00	0.00
PARMER/185	0.00	0.00	TRINITY/228	2.46	1.21
PECOS/186	2.05	1.57	TYLER/229	2.06	1.21
POLK/187	2.30	2.42	UPSHUR/230	1.61	2.26
POTTER/188	2.87	2.01	UPTON/231	2.36	2.22
PRESIDIO/189	0.00	0.00	UVALDE/232	0.00	1.68
RAINS/190	0.00	0.57	VAL VERDE/233	0.00	2.04
RANDALL/191	0.00	0.00	VAN ZANDT/234	0.87	1.05
REAGAN/192	2.34	2.17	VICTORIA/235	2.20	2.36
REAL/193	0.00	0.00	WALKER/236	0.00	2.32
RED RIVER/194	0.00	0.00	WALLER/237	1.99	1.41
REEVES/195	1.90	2.08	WARD/238	2.17	2.09
REFUGIO/196	1.94	2.11	WASHINGTON/239	2.43	1.90
ROBERTS/197	2.62	2.31	WEBB/240	2.52	2.38
ROBERTSON/198	2.25	1.85	WHARTON/241	2.36	2.47
ROCKWALL/199	0.00	0.00	WHEELER/242	2.78	0.41
RUNNELS/200	1.71	2.79	WICHITA/243	0.26	0.00
RUSK/201	1.47	2.21	WILBARGER/244	0.30	0.00
SABINE/202	1.88	2.41	WILLACY/245	1.34	2.45
SAN AUGUSTINE/203	0.00	0.00	WILLIAMSON	0.00	0.00
SAN JACINTO/204	2.41	2.53	WILSON/247	0.00	1.38
SAN PATRICIO/205	2.42	2.50	WINKLER/248	2.45	2.40
SAN SABA/206	0.00	0.00	WISE/249	2.32	2.05
SCHLEICHER/207	2.15	2.22	WOOD/250	1.23	1.90
SCURRY/208	1.38	2.25	YOAKUM/251	1.90	2.52
SHACKELFORD/209	2.38	2.11	YOUNG/252	2.10	2.48
SHELBY/210	2.00	2.27	ZAPATA/253	2.23	2.24
SHERMAN/211	2.12	1.63	ZAVALA/254	2.83	1.80
SMITH/212	2.26	2.16			
SOMERVELL/213	2.55	1.07			
STARR/214	2.59	2.47			
STEPHENS/215	2.36	2.33			

## AVERAGE GAS PRICES JULY 2002

COUNTY/CODE	CH	GW	COUNTY/CODE	CH	GW
ANDERSON/001	2.69	2.74	COLLINGSWORTH/044	1.85	2.63
ANDREWS/002	2.69	2.29	COLORADO/045	2.61	2.95
ANGELINA/003	1.65	2.42	COMAL/046	0.00	0.00
ARANSAS/004	3.07	3.41	COMMANCHE/047	2.96	2.96
ARCHER/005	2.34	0.00	CONCHO/048	2.62	2.20
ARMSTRONG/006	0.00	0.00	COOKE/049	2.82	2.61
ATASCOSA/007	2.02	2.47	CORYELL/050	0.00	0.00
AUSTIN/008	3.27	2.66	COTTLE/051	1.36	1.46
BAILEY/009	0.00	0.00	CRANE/052	2.70	2.46
BANDERA/010	0.00	0.00	CROCKETT/053	2.83	2.94
BASTROP/011	2.04	0.00	CROSBY/054	1.16	1.16
BAYLOR/012	0.00	0.00	CULBERSON/055	2.33	2.93
BEE/013	2.75	2.94	DALLAM/056	0.00	0.00
BELL/014	0.00	0.00	DALLAS/057	0.00	0.00
BEXAR/015	0.00	0.00	DAWSON/058	2.44	0.00
BLANCO/016	0.00	0.00	DEAF SMITH/059	0.00	0.00
BORDEN/017	2.47	0.00	DELTA/060	0.00	0.00
BOSQUE/018	0.00	0.00	DENTON/061	2.73	2.53
BOWIE/019	0.00	0.92	DEWITT/062	2.54	2.91
BRAZORIA/020	2.89	3.19	DICKENS/063	0.00	1.25
BRAZOS/021	3.41	2.87	DIMMIT/064	2.90	2.50
BREWSTER/022	0.00	0.00	DONLEY/065	0.00	2.68
BRISCOE/023	0.00	0.00	DUVAL/066	2.93	2.82
BROOKS/024	3.40	3.37	EASTLAND/067	2.87	3.05
BROWN/025	2.49	2.17	ECTOR/068	2.34	2.44
BURLESON/026	3.34	2.91	EDWARDS/069	2.91	2.84
BURNET/027	0.00	0.00	ELLIS/070	0.00	0.00
CALDWELL/028	1.30	0.00	EL PASO/071	0.00	0.00
CALHOUN/029	0.99	3.19	ERATH/072	0.00	2.77
CALLAHAN/030	2.75	2.65	FALLS/073	0.00	0.00
CAMERON/031	0.00	2.73	FANNIN/074	0.00	0.00
CAMP/032	0.00	0.76	FAYETTE/075	3.37	2.87
CARSON/033	3.30	2.81	FISHER/076	2.87	2.65
CASS/034	2.42	2.53	FLOYD/077	0.00	0.00
CASTRO/035	0.00	0.00	FOARD/078	0.33	0.51
CHAMBERS/036	3.19	3.35	FORT BEND/079	3.39	3.31
CHEROKEE/037	2.64	2.80	FRANKLIN/080	0.00	1.67
CHILDRESS/038	0.00	0.00	FREESTONE/081	2.63	2.79
CLAY/039	2.14	2.22	FRIIO/082	2.11	2.62
COCHRAN/040	2.04	2.55	GAINES/083	2.49	2.23
COKE/041	3.16	2.30	GALVESTON/084	3.97	3.37
COLEMAN/042	2.46	2.71	GARZA/085	0.23	0.36
COLLIN/043	0.00	0.00	GILLESPIE/086	0.00	0.00



## AVERAGE GAS PRICES JULY 2002

COUNTY/CODE	CH	GW	COUNTY/CODE	CH	GW
GLASSCOCK/087	3.23	2.92	KENDALL/130	0.00	0.00
GOLIAD/088	2.88	2.96	KENEDY/131	3.11	3.36
GONZALES/089	2.47	2.49	KENT/132	1.32	0.00
GRAY/090	4.70	2.97	KERR/133	0.00	0.00
GRAYSON/091	2.93	2.96	KIMBLE/134	0.00	2.49
GREGG/092	1.98	2.91	KING/135	0.99	2.71
GRIMES/093	3.02	2.62	KINNEY/136	0.00	0.00
GUADALUPE/094	0.92	0.00	KLEBERG/137	3.13	3.28
HALE/095	1.94	0.00	KNOX/138	0.00	0.00
HALL/096	0.00	0.00	LAMAR/139	0.00	0.00
HAMILTON/097	0.00	3.24	LAMB/140	2.14	0.00
HANSFORD/098	2.89	2.51	LAMPASAS/141	0.00	0.00
HARDEMAN/099	1.98	0.00	LA SALLE/142	2.48	2.89
HARDIN/100	2.87	3.59	LAVACA/143	3.18	2.88
HARRIS/101	2.97	3.23	LEE/144	3.55	2.71
HARRISON/102	2.80	2.80	LEON/145	3.14	2.62
HARTLEY/103	0.00	1.78	LIBERTY/146	2.98	3.30
HASKELL/104	2.49	0.00	LIMESTONE/147	2.89	2.66
HAYS/105	0.00	0.00	LIPSCOMB/148	2.78	2.71
HEMPHILL/106	2.92	2.80	LIVE OAK/149	2.71	3.06
HENDERSON/107	3.26	2.58	LLANO/150	0.00	0.00
HIDALGO/108	3.05	3.09	LOVING/151	2.56	2.17
HILL/109	0.00	0.00	LUBBOCK/152	1.18	0.00
HOCKLEY/110	2.43	1.69	LYNN/153	1.95	0.00
HOOD/111	1.87	2.53	MADISON/154	3.19	3.17
HOPKINS/112	1.44	0.69	MARION/155	2.72	3.07
HOUSTON/113	3.03	2.58	MARTIN/156	2.91	2.47
HOWARD/114	2.75	2.54	MASON/157	0.00	2.88
HUDSPETH/115	0.00	0.00	MATAGORDA/158	2.67	3.07
HUNT/116	0.00	0.00	MAVERICK/159	3.49	3.42
HUTCHINSON/117	3.41	2.75	MCCULLOCH/160	1.86	1.31
IRION/118	3.35	3.04	MCLENNAN/161	0.00	3.17
JACK/119	3.07	2.85	MCMULLEN/162	3.77	2.89
JACKSON/120	2.77	3.11	MEDINA/163	0.00	0.00
JASPER/121	2.47	3.11	MENARD/164	0.00	2.41
JEFF DAVIS/122	0.00	0.00	MIDLAND/165	3.15	2.81
JEFFERSON/123	3.07	3.19	MILAM/166	3.22	0.00
JIM HOGG/124	3.12	2.97	MILLS/167	0.00	0.76
JIM WELLS/125	3.13	3.21	MITCHELL/168	2.15	0.00
JOHNSON/126	0.00	2.74	MONTAGUE/169	2.68	2.84
JONES/127	2.68	3.35	MONTGOMERY	2.92	2.84
KARNES/128	1.02	2.75	MOORE/171	3.04	2.50
KAUFMAN/129	0.00	0.00	MORRIS/172	0.00	0.00

**AVERAGE GAS PRICES  
JULY 2002**

COUNTY/CODE	CH	GW	COUNTY/CODE	CH	GW
MOTLEY/173	0.00	0.00	STERLING/216	3.36	3.08
NACOGDOCHES	2.94	2.90	STONEWALL/217	2.55	2.29
NAVARRO/175	2.71	2.64	SUTTON/218	2.87	2.99
NEWTON/176	3.30	3.32	SWISHER/219	0.00	0.00
NOLAN/177	3.28	2.72	TARRANT/220	0.00	2.50
NUECES/178	3.11	3.24	TAYLOR/221	2.69	2.29
OCHILTREE/179	2.85	2.71	TERRELL/222	3.35	2.71
OLDHAM/180	0.00	1.68	TERRY/223	2.43	2.12
ORANGE/181	1.51	3.55	THROCKMORTON/224	2.39	2.60
PALO PINTO/182	3.04	2.81	TITUS/225	0.00	0.92
PANOLA/183	2.95	2.89	TOM GREEN/226	3.05	2.82
PARKER/184	3.10	2.62	TRAVIS/227	0.00	0.00
PARMER/185	0.00	0.00	TRINITY/228	3.30	1.74
PECOS/186	2.56	1.99	TYLER/229	3.14	2.11
POLK/187	2.97	3.17	UPSHUR/230	2.11	2.97
POTTER/188	2.59	1.85	UPTON/231	3.09	2.92
PRESIDIO/189	0.00	0.00	UVALDE/232	0.00	2.22
RAINS/190	0.00	0.93	VAL VERDE/233	0.00	2.71
RANDALL/191	0.00	0.00	VAN ZANDT/234	1.49	1.96
REAGAN/192	3.10	3.04	VICTORIA/235	2.77	3.02
REAL/193	0.00	0.00	WALKER/236	0.00	3.06
RED RIVER/194	0.00	0.00	WALLER/237	1.99	2.67
REEVES/195	2.51	2.50	WARD/238	2.87	2.72
REFUGIO/196	2.51	2.61	WASHINGTON/239	3.15	2.42
ROBERTS/197	3.24	2.76	WEBB/240	3.18	2.94
ROBERTSON/198	3.06	2.47	WHARTON/241	2.71	3.15
ROCKWALL/199	0.00	0.00	WHEELER/242	3.37	2.77
RUNNELS/200	2.31	2.43	WICHITA/243	0.33	0.00
RUSK/201	2.25	2.75	WILBARGER/244	0.30	0.00
SABINE/202	2.51	2.29	WILLACY/245	2.42	3.01
SAN AUGUSTINE/203	0.00	0.00	WILLIAMSON	0.00	0.00
SAN JACINTO/204	3.44	3.14	WILSON/247	3.29	3.29
SAN PATRICIO/205	3.07	3.17	WINKLER/248	2.84	3.00
SAN SABA/206	0.00	0.00	WISE/249	3.01	2.69
SCHLEICHER/207	2.87	2.86	WOOD/250	1.91	2.35
SCURRY/208	3.30	4.44	YOAKUM/251	2.53	3.45
SHACKELFORD/209	3.15	2.69	YOUNG/252	2.69	2.85
SHELBY/210	2.41	2.92	ZAPATA/253	2.96	2.79
SHERMAN/211	2.52	2.04	ZAVALA/254	3.18	2.45
SMITH/212	2.57	3.10			
SOMERVELL/213	3.20	1.33			
STARR/214	3.20	2.92			
STEPHENS/215	2.90	3.03			

## AVERAGE GAS PRICES January 2003

COUNTY/CODE	CH	GW	COUNTY/CODE	CH	GW
ANDERSON/001	4.08	4.24	COLLINGSWORTH/044	2.95	4.33
ANDREWS/002	4.30	3.71	COLORADO/045	4.19	4.14
ANGELINA/003	1.00	3.82	COMAL/046	0.00	0.00
ARANSAS/004	4.52	5.29	COMMANCHE/047	4.95	4.61
ARCHER/005	3.41	0.00	CONCHO/048	4.01	3.37
ARMSTRONG/006	0.00	0.00	COOKE/049	3.84	4.67
ATASCOSA/007	3.40	3.75	CORYELL/050	0.00	0.00
AUSTIN/008	3.89	4.59	COTTLE/051	1.52	4.56
BAILEY/009	0.00	0.00	CRANE/052	1.33	4.08
BANDERA/010	0.00	0.00	CROCKETT/053	4.61	4.49
BASTROP/011	1.64	0.00	CROSBY/054	2.25	0.00
BAYLOR/012	0.00	0.00	CULBERSON/055	3.20	3.78
BEE/013	4.01	4.53	DALLAM/056	0.00	0.00
BELL/014	0.00	0.00	DALLAS/057	0.00	0.00
BEXAR/015	0.00	0.00	DAWSON/058	3.94	0.00
BLANCO/016	0.00	0.00	DEAF SMITH/059	0.00	0.00
BORDEN/017	3.88	0.00	DELTA/060	0.00	0.00
BOSQUE/018	0.00	0.00	DENTON/061	3.85	4.02
BOWIE/019	0.00	1.71	DEWITT/062	4.25	4.46
BRAZORIA/020	4.46	4.82	DICKENS/063	0.00	0.00
BRAZOS/021	5.20	4.18	DIMMIT/064	4.58	4.11
BREWSTER/022	0.00	0.00	DONLEY/065	0.00	4.47
BRISCOE/023	0.00	0.00	DUVAL/066	4.42	4.03
BROOKS/024	5.25	5.15	EASTLAND/067	4.40	4.78
BROWN/025	3.99	3.30	ECTOR/068	4.02	4.80
BURLESON/026	4.98	4.84	EDWARDS/069	4.61	4.31
BURNET/027	0.00	0.00	ELLIS/070	0.00	0.00
CALDWELL/028	1.90	0.00	EL PASO/071	0.00	0.00
CALHOUN/029	3.48	4.72	ERATH/072	0.00	4.20
CALLAHAN/030	4.04	4.12	FALLS/073	0.00	0.00
CAMERON/031	0.00	4.15	FANNIN/074	0.00	0.00
CAMP/032	0.00	0.97	FAYETTE/075	4.94	4.32
CARSON/033	2.34	4.90	FISHER/076	4.71	4.17
CASS/034	2.66	3.26	FLOYD/077	0.00	0.00
CASTRO/035	0.00	0.00	FOARD/078	0.19	0.13
CHAMBERS/036	4.80	4.92	FORT BEND/079	4.61	4.93
CHEROKEE/037	4.30	4.24	FRANKLIN/080	0.00	2.42
CHILDRESS/038	0.00	0.00	FREESTONE/081	4.27	4.15
CLAY/039	3.44	3.93	FRIO/082	3.05	4.78
COCHRAN/040	2.50	3.15	GAINES/083	4.03	3.06
COKE/041	5.08	3.83	GALVESTON/084	5.07	4.97
COLEMAN/042	3.88	3.99	GARZA/085	1.96	1.62
COLLIN/043	0.00	0.00	GILLESPIE/086	0.00	0.00



## AVERAGE GAS PRICES January 2003

COUNTY/CODE	CH	GW	COUNTY/CODE	CH	GW
GLASSCOCK/087	5.00	4.99	KENDALL/130	0.00	0.00
GOLIAD/088	4.44	4.76	KENEDY/131	5.12	5.17
GONZALES/089	3.86	0.39	KENT/132	4.28	0.00
GRAY/090	6.87	4.72	KERR/133	0.00	0.00
GRAYSON/091	4.31	4.84	KIMBLE/134	0.00	3.87
GREGG/092	3.06	4.39	KING/135	1.80	4.23
GRIMES/093	4.48	3.86	KINNEY/136	0.00	0.00
GUADALUPE/094	1.50	0.00	KLEBERG/137	5.38	4.96
HALE/095	3.15	0.00	KNOX/138	0.00	0.00
HALL/096	0.00	0.00	LAMAR/139	0.00	0.00
HAMILTON/097	0.00	4.53	LAMB/140	3.84	0.00
HANSFORD/098	4.22	3.89	LAMPASAS/141	0.00	0.00
HARDEMAN/099	3.12	0.00	LA SALLE/142	4.43	4.53
HARDIN/100	4.15	5.25	LAVACA/143	4.75	4.32
HARRIS/101	4.14	4.92	LEE/144	5.26	4.18
HARRISON/102	4.39	4.36	LEON/145	4.59	4.11
HARTLEY/103	0.00	2.68	LIBERTY/146	4.71	5.00
HASKELL/104	3.14	1.90	LIMESTONE/147	4.23	4.13
HAYS/105	0.00	0.00	LIPSCOMB/148	4.42	4.26
HEMPHILL/106	4.49	4.32	LIVE OAK/149	4.39	4.68
HENDERSON/107	4.87	4.24	LLANO/150	0.00	0.00
HIDALGO/108	4.63	4.65	LOVING/151	4.24	3.50
HILL/109	0.00	0.00	LUBBOCK/152	1.99	0.00
HOCKLEY/110	1.89	2.80	LYNN/153	1.92	0.00
HOOD/111	2.68	4.00	MADISON/154	4.81	4.30
HOPKINS/112	2.66	0.85	MARION/155	4.46	4.47
HOUSTON/113	4.51	3.80	MARTIN/156	4.56	3.75
HOWARD/114	4.47	4.56	MASON/157	0.00	4.77
HUDSPETH/115	0.00	0.00	MATAGORDA/158	5.86	4.81
HUNT/116	0.00	0.00	MAVERICK/159	4.67	5.07
HUTCHINSON/117	6.34	4.60	MCCULLOCH/160	1.58	0.89
IRION/118	4.49	4.78	MCLENNAN/161	0.00	4.68
JACK/119	4.50	4.45	MCMULLEN/162	5.46	4.52
JACKSON/120	4.82	4.69	MEDINA/163	0.00	0.00
JASPER/121	3.56	4.38	MENARD/164	0.00	3.74
JEFF DAVIS/122	0.00	0.00	MIDLAND/165	4.72	4.13
JEFFERSON/123	4.80	4.80	MILAM/166	4.80	0.00
JIM HOGG/124	5.32	4.57	MILLS/167	0.00	0.76
JIM WELLS/125	4.69	4.74	MITCHELL/168	3.89	0.00
JOHNSON/126	0.00	4.51	MONTAGUE/169	4.62	4.75
JONES/127	4.56	4.89	MONTGOMERY	4.34	4.24
KARNES/128	2.61	4.48	MOORE/171	5.21	4.01
KAUFMAN/129	0.00	0.00	MORRIS/172	0.00	0.00

## AVERAGE GAS PRICES January 2003

COUNTY/CODE	CH	GW	COUNTY/CODE	CH	GW
MOTLEY/173	0.00	0.00	STERLING/216	5.46	5.48
NACOGDOCHES	4.73	4.56	STONEWALL/217	3.39	0.00
NAVARRO/175	3.57	3.81	SUTTON/218	4.28	4.50
NEWTON/176	4.74	4.91	SWISHER/219	0.00	0.00
NOLAN/177	5.50	4.35	TARRANT/220	0.00	3.85
NUECES/178	4.89	4.88	TAYLOR/221	5.16	3.67
OCHILTREE/179	4.30	4.20	TERRELL/222	4.75	4.34
OLDHAM/180	0.00	2.99	TERRY/223	2.71	2.65
ORANGE/181	4.40	5.30	THROCKMORTON/224	3.68	4.30
PALO PINTO/182	4.30	4.18	TITUS/225	0.00	0.00
PANOLA/183	4.62	4.47	TOM GREEN/226	4.91	4.47
PARKER/184	3.64	3.84	TRAVIS/227	0.00	0.00
PARMER/185	0.00	0.00	TRINITY/228	4.40	3.96
PECOS/186	4.22	3.45	TYLER/229	5.05	4.91
POLK/187	3.66	4.81	UPSHUR/230	3.47	4.43
POTTER/188	5.15	2.60	UPTON/231	4.74	4.38
PRESIDIO/189	0.00	0.00	UVALDE/232	0.00	3.66
RAINS/190	0.00	1.35	VAL VERDE/233	0.00	3.89
RANDALL/191	0.00	0.00	VAN ZANDT/234	2.74	2.25
REAGAN/192	4.66	4.55	VICTORIA/235	4.20	4.67
REAL/193	0.00	0.00	WALKER/236	2.55	4.43
RED RIVER/194	0.00	0.00	WALLER/237	2.62	4.44
REEVES/195	3.62	4.01	WARD/238	4.63	4.24
REFUGIO/196	4.24	4.19	WASHINGTON/239	4.60	3.81
ROBERTS/197	5.32	4.48	WEBB/240	4.95	4.56
ROBERTSON/198	4.76	4.12	WHARTON/241	4.61	4.83
ROCKWALL/199	0.00	0.00	WHEELER/242	5.30	4.44
RUNNELS/200	4.20	4.56	WICHITA/243	0.51	0.00
RUSK/201	3.81	4.38	WILBARGER/244	0.30	0.00
SABINE/202	4.16	4.20	WILLACY/245	3.48	4.62
SAN AUGUSTINE/203	0.00	4.74	WILLIAMSON	0.00	0.00
SAN JACINTO/204	2.94	4.40	WILSON/247	4.65	4.65
SAN PATRICIO/205	4.80	4.86	WINKLER/248	4.85	4.43
SAN SABA/206	0.00	0.00	WISE/249	4.79	4.20
SCHLEICHER/207	4.42	4.13	WOOD/250	2.26	3.50
SCURRY/208	4.60	3.40	YOAKUM/251	2.90	3.58
SHACKELFORD/209	4.91	4.23	YOUNG/252	4.16	4.49
SHELBY/210	3.92	4.65	ZAPATA/253	4.47	4.22
SHERMAN/211	4.63	3.23	ZAVALA/254	4.69	3.98
SMITH/212	4.13	4.75			
SOMERVELL/213	4.61	2.02			
STARR/214	4.77	4.78			
STEPHENS/215	4.64	4.84			

## AVERAGE GAS PRICES JULY 2003

COUNTY/CODE	CH	GW	COUNTY/CODE	CH	GW
ANDERSON/001	2.72	4.91	COLLINGSWORTH/044	2.87	4.10
ANDREWS/002	3.96	3.57	COLORADO/045	4.68	4.82
ANGELINA/003	4.93	4.75	COMAL/046	0.00	0.00
ARANSAS/004	4.77	5.71	COMMANCHE/047	4.15	3.84
ARCHER/005	3.98	0.00	CONCHO/048	3.77	3.38
ARMSTRONG/006	0.00	0.00	COOKE/049	4.20	5.50
ATASCOSA/007	4.21	4.50	CORYELL/050	0.00	0.00
AUSTIN/008	4.89	5.14	COTTLE/051	1.49	4.84
BAILEY/009	0.00	0.00	CRANE/052	1.21	3.88
BANDERA/010	0.00	0.00	CROCKETT/053	4.45	4.83
BASTROP/011	1.93	0.00	CROSBY/054	2.30	0.00
BAYLOR/012	0.00	0.00	CULBERSON/055	3.18	3.83
BEE/013	4.82	4.68	DALLAM/056	0.00	0.00
BELL/014	0.00	0.00	DALLAS/057	0.00	0.00
BEXAR/015	0.00	0.00	DAWSON/058	3.79	0.00
BLANCO/016	0.00	0.00	DEAF SMITH/059	0.00	0.00
BORDEN/017	3.48	0.00	DELTA/060	0.00	0.00
BOSQUE/018	0.00	0.00	DENTON/061	4.25	4.11
BOWIE/019	0.00	2.70	DEWITT/062	4.61	4.91
BRAZORIA/020	5.12	5.40	DICKENS/063	0.00	0.00
BRAZOS/021	5.80	4.88	DIMITT/064	5.18	4.54
BREWSTER/022	0.00	0.00	DONLEY/065	0.00	4.30
BRISCOE/023	0.00	0.00	DUVAL/066	4.82	4.58
BROOKS/024	5.54	5.39	EASTLAND/067	4.52	4.44
BROWN/025	4.10	3.40	ECTOR/068	3.75	3.63
BURLESON/026	5.55	5.36	EDWARDS/069	4.93	4.67
BURNET/027	0.00	0.00	ELLIS/070	0.00	0.00
CALDWELL/028	2.09	0.00	EL PASO/071	0.00	0.00
CALHOUN/029	4.09	5.27	ERATH/072	4.46	4.71
CALLAHAN/030	3.99	4.18	FALLS/073	0.00	0.00
CAMERON/031	0.00	4.69	FANNIN/074	0.00	0.00
CAMP/032	0.00	1.27	FAYETTE/075	5.22	4.47
CARSON/033	5.02	5.46	FISHER/076	4.28	3.19
CASS/034	3.50	3.77	FLOYD/077	0.00	0.00
CASTRO/035	0.00	0.00	FOARD/078	2.12	2.03
CHAMBERS/036	5.50	5.29	FORT BEND/079	5.26	5.58
CHEROKEE/037	5.03	4.48	FRANKLIN/080	0.00	2.57
CHILDRESS/038	0.00	0.00	FREESTONE/081	4.72	4.71
CLAY/039	3.67	4.17	FRIO/082	3.63	4.26
COCHRAN/040	3.21	3.89	GAINES/083	4.55	3.26
COKE/041	4.78	5.95	GALVESTON/084	5.70	5.55
COLEMAN/042	3.95	5.01	GARZA/085	0.71	2.24
COLLIN/043	0.00	0.00	GILLESPIE/086	0.00	0.00



## AVERAGE GAS PRICES JULY 2003

COUNTY/CODE	CH	GW	COUNTY/CODE	CH	GW
GLASSCOCK/087	4.91	4.72	KENDALL/130	0.00	0.00
GOLIAD/088	4.58	4.98	KENEDY/131	5.08	5.44
GONZALES/089	5.23	4.54	KENT/132	1.23	0.00
GRAY/090	7.29	4.97	KERR/133	0.00	0.00
GRAYSON/091	4.41	4.75	KIMBLE/134	0.00	4.42
GREGG/092	3.63	4.86	KING/135	2.01	4.35
GRIMES/093	4.89	4.26	KINNEY/136	0.00	0.00
GUADALUPE/094	2.42	0.00	KLEBERG/137	5.51	5.84
HALE/095	3.63	0.00	KNOX/138	0.00	0.00
HALL/096	0.00	0.00	LAMAR/139	0.00	0.00
HAMILTON/097	0.00	5.01	LAMB/140	3.30	0.00
HANSFORD/098	4.63	4.22	LAMPASAS/141	0.00	0.00
HARDEMAN/099	3.47	0.00	LA SALLE/142	5.50	5.11
HARDIN/100	5.13	5.78	LAVACA/143	5.01	4.73
HARRIS/101	4.44	5.55	LEE/144	5.54	4.89
HARRISON/102	4.65	4.77	LEON/145	4.66	4.73
HARTLEY/103	0.00	2.74	LIBERTY/146	4.94	5.65
HASKELL/104	3.53	1.91	LIMESTONE/147	4.85	4.61
HAYS/105	0.00	0.00	LIPSCOMB/148	4.71	4.41
HEMPHILL/106	4.91	4.68	LIVE OAK/149	4.84	5.02
HENDERSON/107	5.38	4.60	LLANO/150	0.00	0.00
HIDALGO/108	5.08	4.88	LOVING/151	4.29	4.22
HILL/109	0.00	0.00	LUBBOCK/152	1.44	0.00
HOCKLEY/110	1.63	2.49	LYNN/153	1.74	0.00
HOOD/111	3.33	4.25	MADISON/154	5.24	4.90
HOPKINS/112	3.86	1.84	MARION/155	5.19	4.95
HOUSTON/113	5.29	4.84	MARTIN/156	4.15	4.51
HOWARD/114	4.49	4.53	MASON/157	0.00	5.16
HUDSPETH/115	0.00	0.00	MATAGORDA/158	5.69	5.21
HUNT/116	0.00	0.00	MAVERICK/159	5.26	5.34
HUTCHINSON/117	6.23	4.65	MCCULLOCH/160	1.16	1.49
IRION/118	4.46	4.79	MCLENNAN/161	0.00	5.30
JACK/119	4.91	4.56	MCMULLEN/162	6.11	4.92
JACKSON/120	5.28	3.51	MEDINA/163	0.00	0.00
JASPER/121	4.64	4.76	MENARD/164	0.00	3.54
JEFF DAVIS/122	0.00	0.00	MIDLAND/165	4.75	4.14
JEFFERSON/123	5.12	5.49	MILAM/166	5.36	2.66
JIM HOGG/124	5.59	5.11	MILLS/167	0.00	0.77
JIM WELLS/125	4.71	5.31	MITCHELL/168	3.21	0.00
JOHNSON/126	0.00	4.42	MONTAGUE/169	4.34	4.16
JONES/127	4.24	3.93	MONTGOMERY	5.00	4.72
KARNES/128	2.96	5.32	MOORE/171	4.93	3.95
KAUFMAN/129	0.00	0.00	MORRIS/172	0.00	0.00

## AVERAGE GAS PRICES JULY 2003

COUNTY/CODE	CH	GW	COUNTY/CODE	CH	GW
MOTLEY/173	0.00	0.00	STERLING/216	5.43	5.71
NACOGDOCHES	5.17	5.02	STONEWALL/217	3.32	0.00
NAVARRO/175	3.89	4.26	SUTTON/218	4.30	4.81
NEWTON/176	5.20	5.07	SWISHER/219	0.00	0.00
NOLAN/177	5.19	4.34	TARRANT/220	0.00	4.08
NUECES/178	5.16	5.30	TAYLOR/221	4.77	3.89
OCHILTREE/179	4.60	4.53	TERRELL/222	5.44	4.68
OLDHAM/180	0.00	3.08	TERRY/223	3.27	3.99
ORANGE/181	5.85	5.72	THROCKMORTON/224	3.93	3.62
PALO PINTO/182	5.00	2.62	TITUS/225	0.00	0.00
PANOLA/183	5.03	4.92	TOM GREEN/226	4.89	4.25
PARKER/184	3.57	4.19	TRAVIS/227	0.00	0.00
PARMER/185	0.00	0.00	TRINITY/228	5.23	4.05
PECOS/186	4.25	3.54	TYLER/229	5.55	5.74
POLK/187	4.46	5.05	UPSHUR/230	4.22	5.05
POTTER/188	3.75	2.64	UPTON/231	4.65	4.46
PRESIDIO/189	0.00	0.00	UVALDE/232	0.00	4.07
RAINS/190	0.00	1.44	VAL VERDE/233	4.06	4.35
RANDALL/191	0.00	0.00	VAN ZANDT/234	3.54	2.66
REAGAN/192	4.57	4.64	VICTORIA/235	4.58	5.03
REAL/193	0.00	0.00	WALKER/236	0.22	4.95
RED RIVER/194	0.00	0.00	WALLER/237	3.38	5.02
REEVES/195	4.18	4.71	WARD/238	4.66	4.61
REFUGIO/196	4.18	4.78	WASHINGTON/239	5.03	4.20
ROBERTS/197	5.72	4.81	WEBB/240	4.66	5.04
ROBERTSON/198	4.81	4.66	WHARTON/241	5.22	5.31
ROCKWALL/199	0.00	0.00	WHEELER/242	5.78	4.72
RUNNELS/200	4.00	4.18	WICHITA/243	0.68	0.00
RUSK/201	4.52	4.72	WILBARGER/244	0.30	1.70
SABINE/202	3.92	4.81	WILLACY/245	4.30	4.83
SAN AUGUSTINE/203	0.00	4.87	WILLIAMSON	0.00	0.00
SAN JACINTO/204	3.74	4.72	WILSON/247	2.68	4.06
SAN PATRICIO/205	5.21	5.33	WINKLER/248	4.64	5.01
SAN SABA/206	0.00	0.00	WISE/249	4.92	4.32
SCHLEICHER/207	4.44	4.39	WOOD/250	2.36	4.00
SCURRY/208	3.82	2.79	YOAKUM/251	3.03	2.66
SHACKELFORD/209	4.78	4.23	YOUNG/252	4.45	4.70
SHELBY/210	3.72	4.87	ZAPATA/253	4.77	4.65
SHERMAN/211	4.59	3.36	ZAVALA/254	5.60	4.26
SMITH/212	4.75	5.19			
SOMERVELL/213	5.16	2.76			
STARR/214	5.74	5.21			
STEPHENS/215	4.62	4.74			

# NATURAL GAS VOLUME CONVERSION FORMULAS

1. Month of Gas Production:

2. Lease Name:

3. Volume purchased with BTU adjustment:

To convert MCF to MMBTU, use the following formula:

$$\frac{\text{BTU}}{1,000} \times \text{MCF} = \text{MMBTU}$$

*Example:*

$$\frac{992 \text{ BTU}}{1,000} \times 6,216 \text{ MCF} = 6,166 \text{ MMBTU}$$

To convert MMBTU to MCF, use the following formula:

$$\frac{\text{BTU}}{1,000} \times \text{MCF} = \text{MMBTU}$$

*Example:*

$$\frac{6,166 \text{ MMBTU}}{992 \text{ BTU}} \times 1000 = 6,216 \text{ MCF}$$



# CHECK DIGIT CALCULATION FOR TAXPAYER NUMBERS

**Step 1:** Begin with the nine-digit federal E. I. Number or Social Security Number (whichever applies).

**7 6 5 4 3 2 1 2 3**

**Step 2:** Place a “1” in front of the federal E. I. Number or a “2” in front of the Social Security number to create a ten-digit number.

**1 7 6 5 4 3 2 1 2 3**

**Step 3:** Starting with the right hand digit, multiply each alternate digit by “2”.

If the result of the multiplication is greater than nine, then add the individual numbers of the two-digit result together to achieve a single digit result.

$$3 \times 2 = 6 \qquad 6$$

$$1 \times 2 = 2 \qquad 2$$

$$3 \times 2 = 6 \qquad 6$$

$$5 \times 2 = 10 \qquad 1 + 0 = 1$$

$$7 \times 2 = 14 \qquad 1 + 4 = 5$$

**Step 4:** Add the results from Step 3 to obtain one number.

$$6 + 2 + 6 + 1 + 5 = 20$$

**Step 5:** Add the remaining digits not used in Step 3 and include the total figure calculated in Step 4.

$$2 + 2 + 4 + 6 + 1 + 20 = 35$$

**Step 6:** Subtract the total calculated in Step 5 from the next highest number ending in zero to obtain the check digit. If the total in Step 5 ends in a zero, then the check digit is zero.

$$40 - 35 = 5$$

**Step 7:** The taxpayer number with the check digit is:

**1 7 6 5 4 3 2 1 2 3 5**

# LEASE CHECK DIGIT CALCULATION

The check digit for the detail records is computed using the following examples. The check digit is calculated using the:

- lease type
- county number
- lease number

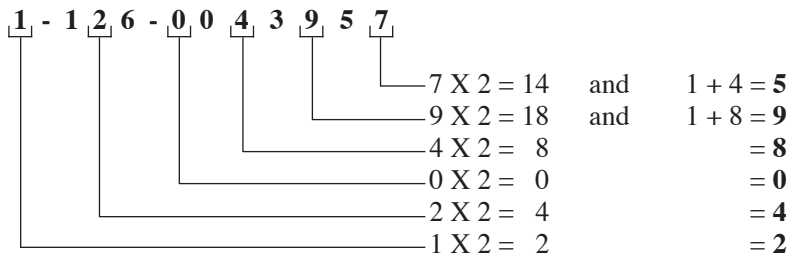
## Example 1: OIL LEASE

Lease identification number: **1** - **126** - **0043957**

Lease type \_\_\_\_\_  
 County number \_\_\_\_\_  
 Lease number \_\_\_\_\_

(Add preceding zeroes to form a 7-digit number to the Railroad Commission or Comptroller assigned lease number.)

**Step 1:** Starting with the last digit of the lease identification number, multiply each alternate digit by 2. If the result of the multiplication is greater than nine, add the individual numbers of the two digit result together to achieve a single digit result.



**Step 2:** Sum the results from Step 1 together to arrive at one total number.

$$5 + 9 + 8 + 0 + 4 + 2 = 28$$

**Step 3:** Add the remaining digits of the lease identification number not used in Step 1 to the total figure calculated in Step 2.

$$5 + 3 + 0 + 6 + 1 + 28 = 43$$

**Step 4:** Subtract the answer in Step 3 from the higher number ending in a zero to attain the check digit.

$$50 - 43 = 7$$

**The lease number with the check digit is 1-126-043957-7 for reports filed on paper.**

**Example 2: GAS LEASE**

Lease Identification number: **2 - 227 - 0123456**

This example will handle each digit in order from the least significant digit (last digit) to the most significant digit (first digit).

**Step 1:** Beginning with the last digit, each alternate digit is multiplied by 2.

**Step 2:** If the result of the multiplication is greater than nine, add the individual numbers of the two digit result together to achieve a single digit result.

**Step 3:** Add this single digit to the next digit of the lease identification number.

Step 1	Step 2	Step 3	Total
6 X 2 = 12	1 + 2 = 3		3
5	= 5	+ 3	= 8
4 X 2	= 8	+ 8	= 16
3	= 3	+ 16	= 19
2 X 2	= 4	+ 19	= 23
1	= 1	+ 23	= 24
0 X 2	= 0	+ 24	= 24
7	= 7	+ 24	= 31
2 X 2	= 4	+ 31	= 35
2	= 2	+ 35	= 37
2 X 2	= 4	+ 37	= 41 (Final Answer)

**Step 4:** Subtract the final answer in Step 3 from the next higher number ending in zero to attain the self-check digit.

**50 – 41 = 9**

**The lease number for paper report is 2-227-123456-9.**



STATE OF TEXAS  
COMPTROLLER OF PUBLIC ACCOUNTS  
NATURAL GAS PRODUCTION TAX

**RULE §3.21**

**Exemption or Tax Reduction for High-cost Natural Gas**

*An amendment to Rule 3.21 became effective February 18, 2002. The amendment changes the starting date of an exemption or tax reduction for high cost natural gas. All applications approved on, or after, February 18, 2002, will have a beginning date of the first month of production. Applications approved prior to February 18, 2002 contain a beginning date of the first month following the first date of production. The beginning dates for applications approved prior to February 18, 2002 are not subject to be changed retroactively.*

(a) Definitions. The following words and terms, when used in this section, shall have the following meanings, unless the context clearly indicates otherwise.

(1) Commission – The Railroad Commission of Texas.

(2) Recompletion – The performance of work within an existing wellbore for the purpose of drilling to a deeper producing formation or plugging back to a more shallow producing formation.

(3) High-cost gas –

(A) High-cost natural gas as described by Natural Gas Policy Act of 1978, §107, as that section exists on January 1, 1989, without regard to whether that section is in effect or whether a determination has been made that the gas is high-cost natural gas for purposes of that Act; or

(B) All gas produced from oil wells or gas wells within a Commission approved co-production project.

(4) Commission approved co-production project – A reservoir development project in which the Commission has recognized that water withdrawals from an oil or gas reservoir in excess of specified minimum volumes will result in recovery of additional oil and/or gas from the reservoir that would not be produced by conventional production methods and where operators of wells completed in the reservoir have begun to implement Commission requirements to withdraw such volumes of water and dispose of such water outside the subject reservoir. Reservoirs potentially eligible for this designation

shall be limited to those reservoirs in which oil and/or gas has been bypassed by water encroachment caused by production from the reservoir and such bypassed oil and/or gas may be produced as a result of reservoir-wide high-volume water withdrawals of natural formation water.

(5) Date of first production – For purposes of the reduced tax rate available for high-cost natural gas wells spudded or completed after August 31, 1996, the first day of the month of the deliverability test as reported on the appropriate Commission form, or the production month as indicated on the first production report filed with the Commission that shows a gas disposition code other than “lease or field fuel use” or “vented or flared”, whichever month is earlier.

(6) Consecutive months – Months in consecutive order, regardless of whether or not a well produces oil or gas during any or all such months.

(7) Amount of tax reduction for a well – The product of the full tax rate times the ratio of drilling and completion costs for the well to twice the median drilling and completion costs for high-cost wells for which an application for the exemption or tax reduction was made during the previous state fiscal year. Drilling and completion costs for a recompletion shall only include current and contemporaneous costs associated with the recompletion.

(8) Reduced tax rate – The tax rate obtained when the amount of tax reduction is subtracted from the full tax rate, except that the effective rate of the tax shall never be less than zero.

(b) Producers. Producers producing gas or gas products extracted from the gas from a gas completion certified by the Commission as qualifying for the high-cost gas tax exemption or reduced tax rate or from an oil or gas well within a Commission approved co-production project may file with the comptroller an application for tax exemption or the reduced tax rate. Except as provided by subsection (k) of this section, tax must be paid on gas and gas products at the full rate until the date the comptroller approves the application.

(c) Condensate. Condensate, as defined under the Tax Code, §201.001(2), produced with the high-cost gas is not exempt from the tax.

- (d) Gas produced. Gas produced along with oil is not exempt from the tax unless the gas is from an oil well within a Commission approved co-production project.
- (e) Application form. The operator shall make application on forms prescribed by the comptroller for the exemption or tax reduction on gas produced and sold or used by the operator or by any other interest owner in the property. The operator shall provide a copy of the approved application to any interest owner taking gas in-kind. The operator shall also be responsible for advising the comptroller whenever the status of an exemption or tax reduction changes.
- (f) Application supporting documents. The application for exemption or reduced tax rate shall include:
  - (1) a copy of the Commission High-cost Gas State Severance Tax Exemption Certificate Application;
  - (2) a copy of the letter of tax exemption certificate issued by the Commission;
  - (3) the date the Commission approves the exemption or reduced tax rate;
  - (4) the date of first production;
  - (5) a statement as to whether or not tax has been paid on the gas for periods after the effective date of the exemption, and the name of the party paying the tax; and
  - (6) a report of drilling and completion costs incurred for each well on a form and in the detail as determined by the comptroller.
- (g) Application due date. The application for exemption or tax reduction must be filed with the comptroller on or before the later of the 180th day after the date of first production or the 45th day after the date of approval by the Commission, except when:
  - (1) the application is received after August 31, 1995, and before September 1, 1997, for wells spudded or completed and producing prior to September 1, 1995, and qualifying for the exemption created by the Tax Code, §201.057(b), where the application for the exemption must be made within 180 days of September 1, 1995, or
  - (2) an application is filed for the exemption created by the Tax Code, §201.057(a)(2)(B) and may not be filed before January 1, 1990, or after December 31, 1998.
- (h) Applications that miss the due date. Any application that is not filed by the application due date is subject to a 10% reduction of the tax exemption or tax reduction. The 10% reduction will begin on the first of the month after the 180th day after the date of first production and end on the first of the month prior to the received date by the comptroller of the tax exemption or tax reduction application. Applicants who were denied prior to September 1, 1997, for missing the application due date may reapply for the exemption after September 1, 1997, but will be subject to the 10% reduction of the tax exemption or tax reduction.
- (i) Time limitation for refunds. When an application for exemption or reduced tax rate has been approved by the comptroller, a producer or purchaser may file amended reports to recover the tax paid by the producer or purchaser on the high-cost gas for periods after the date of first production and prior to the comptroller's approval of exemption. In order to obtain a refund, the amended reports must be filed within one year after the date the comptroller approves the application for exemption or reduced tax rate.
- (j) Notification to non-producers. Producers obtaining an approval for exemption from the comptroller shall furnish to any first purchaser required to report a purchase of high-cost gas a copy of the comptroller's approval. Any first purchaser paying tax on high-cost gas for periods after the date of first production and prior to the comptroller's approval of exemption shall file amended reports to recover the tax paid. In order to obtain a refund, the amended reports must be filed within one year after the date the comptroller approves the application for exemption or reduced tax rate.
- (k) Reporting requirements. Producers and purchasers must use the following designations when reporting gas that qualifies for the temporary exemption or tax reduction.
  - (1) Producers and purchasers reporting high-cost gas from a well spudded or completed before September 1, 1996, shall, after the comptroller approves the exemption, designate the gas as being exempt from tax by reporting lease type "6," which shall mean "Approved High-Cost Gas Well Gas—Temporary Exemption."
  - (2) Producers and purchasers reporting high-cost gas from a well spudded or completed on or after September 1, 1996, shall, after the comptroller approves the reduced tax rate, designate the gas as being exempt from tax by reporting lease type "5," which shall mean "Approved High-Cost Gas Well Gas—Reduced Tax Rate."

- (3) Producers and purchasers reporting high-cost gas from an oil or gas well as defined by subsection (a)(3)(B) of this section shall, after the comptroller approves the exemption, designate the gas as being exempt from tax by reporting lease type “8,” which shall mean “High-Cost Gas Exemption--Co-Production Project.”
- (4) Gas qualifying for the temporary exemption, the reduced tax rate or the exemption for gas from a co-production project must be reported separately from any non-exempt production, if any, on the same lease.
- (5) Producers or purchasers reporting exempt gas and non-exempt gas through the use of a commingling permit issued by the Commission must allocate the gas production between exempt and non-exempt gas by use of a method approved by the comptroller.
- (6) Except as provided by paragraph (5) of this subsection, producers or purchasers reporting exempt gas or non-exempt gas must report the gas by using as a part of the comptroller’s lease identification number the completion number assigned by the Commission.
- (l) Reduced tax rate. Tax must be paid at the full rate on all gas as defined in subsection (a)(2)(A) of this section for wells spudded or completed between September 1, 1996, and August 31, 1997. On or after September 1, 1997, the party paying the tax at the full rate may apply to the comptroller for a refund of tax equal to the difference between the tax paid at the full rate and the tax that would be due if calculated at the reduced tax rate as defined in subsection (a)(7) of this section.
- (m) Limitation of tax reduction. Once the comptroller approves an application for the reduced tax rate, tax will be due at the reduced tax rate for the first 120 consecutive months beginning with the date of first production or until the cumulative value of the tax reduction equals 50% of the drilling and completion costs incurred for the well, whichever occurs first. The operator shall provide to any interest owner taking gas in-kind the amount of tax reduction calculated according to subsection (a)(7) of this section.

**Source Note:** The provisions of this §3.21 adopted to be effective November 23, 1990, 15 TexReg 6499; amended to be effective September 4, 1996, 21 TexReg 8181; amended to be effective August 4, 1998, 23 TexReg 7839.

Issued in Austin, Texas, on November 15, 2001.



# HELPFUL INFORMATION FOR PREPARING, FILING AND RECONCILING A NATURAL GAS TAX ACCOUNT

## **Taxpayer History**

A taxpayer history is an excellent tool for amending and reconciling specific production periods on a natural gas tax account. It is especially useful for amending lease number and other party taxpayer numbers when these numbers are left blank on a report. For example, the Comptroller's computer system cannot accept a report when a block is left blank. When this occurs, the Comptroller's computer system will assign a number in order to process the return. In order to correct this "unidentifiable" lease or other party taxpayer number, the volumes and values reported under the invalid number must be credited out exactly the way the data appears on the Comptroller's computer system. Then, the volumes and values are re-entered under the correct lease and/or other party taxpayer number. The only way to know how the invalid numbers are processed on the Comptroller's records is by researching the information with an assigned tax examiner, or by requesting and reviewing a taxpayer history.

A taxpayer history can also help in identifying duplications, omissions, or typographical errors that occurred on a taxpayer's account. It also helps in working adjustment notices, especially consolidated adjustment notices.

To order a taxpayer history, call the assigned tax examiner that handles the natural gas tax account. When ordering a taxpayer history, the examiner will usually order portions of the taxpayer history, depending on portions that the taxpayer needs. The portions that are most commonly requested are the detailed lease records, report totals, and outstanding "collection" record portions.

## **Producer/Purchaser Lists**

Sometimes it is difficult to obtain the Comptroller's taxpayer number to report the block indicating the "other party taxpayer number." A list of all producers and/or purchasers is available upon request. These reports generated on paper can be ordered in alphabetical company name or taxpayer numerical order by calling an assigned tax examiner.

## **Web Sites**

The Comptroller's web site has information that is very useful. The Comptroller's home page is <http://www.window.state.tx.us/>:

- Click on the Texas Taxes link.
- Click on Natural Gas link, and
- Then click again under the Natural Gas Production Tax link.
  - Under this link, there are links for all the report forms, transfer of payment form, publications, FAQs (frequently asked questions), statutes, and rules. Also

there is a link available to search for a natural gas producer and/or purchaser taxpayer numbers.

Another useful web site is the Railroad Commission (RRC) home page at <http://www.rrc.state.tx.us/>:

- Click on the Interactive Data link, click on Oil & Gas Production (ACTI) and
- Click on the Query icon.
  - From this link, you can research various information regarding leases, fields, and operators.

## **How to Contact Us – Toll Free Numbers**

- The Natural Gas Tax Section toll-free telephone number is 1-800-531-5441, extension 3-4485.
  - The local telephone number is (512) 463-4485.
  - From a telecommunications Device for the Deaf (TDD) the toll free number is 1-800-248-4099. The local TDD number is (512) 463-4621.
- The Natural Gas Tax Section's toll free FAX number is 1-877-882-8892. The local FAX number is (512) 475-0165.
- The Electronic Tax Reporting Section (handles electronic reporting and electronic funds transfer) is 1-800-442-3453. The local telephone number is (512) 463-3630.
  - From a telecommunications Device for the Deaf (TDD) the toll free number is 1-800-248-4099. The local TDD number is (512) 463-4621.
- The Electronic Tax Reporting Section's toll free FAX number is 1-877-882-8894. The local FAX number is (512) 475-0397.

## **E-Mail Address**

A tax examiner in the Natural Gas Tax Section is assigned to handle taxpayer accounts in accordance to the alphabet based on a taxpayer's business name. Each examiner is assigned an alphabet letter(s) depending on their workload. Once a taxpayer knows their assigned tax examiner, a taxpayer can send an e-mail to the tax examiner at the following address:

first name.last name@cpa.state.tx.us  
(Example: john.doe@cpa.state.tx.us)

- The Electronic Tax Reporting Section's e-mail address is: [etf.cpa.state.tx.us](mailto:etf.cpa.state.tx.us).
- The Electronic Funds Transfer e-mail address is: [etf.cpa.state.tx.us](mailto:etf.cpa.state.tx.us).