



Oil and Gas Tax Institute from PDI – Training for the Business of Energy

Curious about tax law changes and legislative proposals that may impact the oil and gas industry as a result of major tax reform initiatives? The three-day **Oil & Gas Tax Institute** covers the essentials from basic to intermediate that you need to prepare tax returns or provide tax advice for oil and gas exploration and production companies. A full day will be devoted to the use of partnerships and limited liability companies for oil and gas investments. Look over the major topics and then register online at energy.pdi.org or contact Tami Russell at trussell@pdi.org if you have any questions.

Tax Aspects of Oil and Gas Operations

Day 1 and 2

Level of Knowledge: Basic

**Prerequisites: A basic knowledge
of federal income taxation**

Advanced Preparation: None

Delivery Method: Group live / 16 CPE hours / Taxation

Who Should Attend

Accountants, Managers, Tax Personnel and Auditors who have areas of responsibility affected by tax and partnerships.

Objectives

The objective of this course is to explore the essentials of the federal income tax issues relating to the upstream functions of the oil and gas industry. Specifically, you will learn the tax provisions regarding oil and gas industry functions such as (1) the acquisition of properties, (2) exploration activities (3) drilling and development of wells, (4) operations of properties, including depletion and depreciation, (5) conveyances of oil and gas properties and (6) the way certain deals are structured. Through-out the course, industry practices are interspersed with the federal income treatment of the topic being covered.

Key topics include

Nature of the Industry and Acquisition of Properties:

The Oil and Gas Industry, Common Ownership Interest and Terms, Mineral Ownership and Legal Descriptions, Acquisitions and the Oil and Gas Lease, The Oil and Gas Property Unit – Definition

Geological and Geophysical Costs (Exploration Costs):

Overview of Oil and Gas Geology, The Tax Treatment of Domestic G & G, The Tax Treatment of Foreign G & G, Damage Payments, Drilling Contributions

Development of Oil and Gas Properties (IDC): Intangible Drilling and Development Costs - Defined, The Election to Expense IDCs via Sec 263(c), Sec. 59(e) Election to Capitalize IDCs, Requirements to Expense Prepaid IDCs, Integrated Oil Companies, Foreign IDCs, Purchased Intangibles, Tax Preference IDC, Who Can Deduct IDCs

Depletion of Oil and Gas Properties: Overview of Oil and Gas Depletion, Cost Depletion, Percentage Depletion – In General, Gross Property Income, Net Taxable Income Limitation, Sec. 613A Limitations, Depreciation of Lease and Well Equipment

Conveyances of Oil and Gas Properties: Subleases of Oil and Gas Properties, Sales of Oil and Gas Properties, Section 1254 Recapture Issues, Tax Planning for Subleases and Sales of Oil and Gas Properties, Production Payments, Sharing Arrangements and Carried Interests

Upon Completion of this Program, Participants Should Be Able to

- Relate taxation of oil and gas to the operational exploration of cycle of Upstream companies
- Make better assessments of the tax consequences of current company practices
- Be better prepared for a more advanced look at tax consequences of oil and gas partnerships



Partnership Taxation for Oil & Gas Ventures

Day 3

Level of Knowledge: Basic

Prerequisites: A basic knowledge of federal income taxation

Advanced Preparation: None

Delivery Method: Group live / 8 CPE hours / Taxation

Who Should Attend

Accountants, Managers, Tax Personnel and Auditors who have areas of responsibility affected by tax and partnerships.

Objectives

Oil and Gas partnerships are unique in that the partnership does not hold the tax basis of oil and gas properties that the partnership owns. This seeming simple provision has created considerable complexity for oil and gas partnerships. In this course, you will learn those specific tax provisions that are unique to oil and gas partnerships such as (1) how partnerships are required to allocate the tax basis of oil and gas properties to their partners, (2) how partners and not the partnership are required to compute depletion, (3) distributions of oil and gas properties from a partnership to partners, (4) when a new partner purchases a partnership interest from an existing partner, (5) special allocations of § 704(b) and § 704(c) and (6) when a partnership sells an oil and gas property.

Key topics include

Oil and Gas Partnership Operations: How Partnerships Allocate the Tax Basis of Their Oil and Gas Properties to Their Partners, How Depletion Affects a Partner's Basis in His or Her Partnership Interest and Loss Limitations, Tax Basis of Distributed Oil and Gas Properties, Tax Basis of Oil and Gas Properties for New Partners When a Partnership Interest is Purchased from an Existing Partner

Special Allocations of §704(b): The Overall Concept and Process of the §704(b) Regulations, The General Rules of the "Economic Effect" test of the regulations of §704(b), The "Primary" Test and the "Alternative" Economic Effect Test Provisions of the Regulations of §704(b), Accounting for Capital Accounts Required by the Regulations of §704(b), The Tests for "Substantial" Economic Effect, A Partner's Gain or Loss when the Partnership is Required to Allocate the Amount Realized on the Sale of the Property, The Tax Effects of a Partner Electing to Capitalize IDC Under §59(e) when the Partnership Sells an Oil and Gas Mineral Interest

Allocations With Respect to Contributed Oil and Gas Property §704(c) Allocations: General Rules of §704(c) for property contributed to a partnership, The Importance of the Terms "Book" and "Tax" as Used in the Regulations, How Cost Recovery Deductions and Gains and Losses Subject to §704(c) must be Allocated to the Partners for Lease and Well Equipment That has been Contributed to a Partnership, The Tax Issues Relating to Oil and Gas Mineral Interests of §704(c) Property that have been Contributed to a Partnership

Partnerships and Joint Ventures for Oil and Gas Operations: Advantages and Disadvantages of Operating as a Partnership or a Joint Venture for Oil and Gas Operations, Electing Out of Subchapter K, "Check-the-Box" Regulations, Gas Balancing Agreements

Upon Completion of this Program, Participants Should Be Able To

- Relate and apply the unique aspects of partnership taxation to the oil and gas industry
- Make better assessments of the tax consequences of current partnership options

Instructors

Robert E. Opitz, CPA Tax Partner, BKD

Rob is a tax partner with BKD and has 25 years of experience serving clients in various oil and gas verticals, including: upstream, mid-stream, downstream, servicing, industrials, energy funds, general partnerships, S-corporations, and M&A transactions.

Before joining BKD, Rob served as managing partner and head of tax for a large local firm in Fort Worth, Texas and started his career at a large international public accounting firm.

Rob is a member of the American Institute of CPAs and the Texas Society of CPAs. He also is active in the Fort Worth community and serves on several boards.

Rob earned a B.B.A. degree in accounting and an M.S. degree in taxation from Texas A&M University. He also completed the advanced business advisor program at The University of Chicago's graduate school of business.

David R. Vasquez, CPA Partner, BKD

David is a member of BKD National Manufacturing & Distribution Group and BKD Energy & Natural Resources Practice. He has more than 25 years of professional experience and serves as a tax partner in BKD's San Antonio office. He assists manufacturing, distribution and energy companies with a wide range of business issues, including tax compliance and tax consulting on joint ventures, reorganizations and international operations.

He also has extensive experience serving private equity-backed and publicly traded companies. He regularly assists clients with ASC 740 compliance issues, tax structuring and due diligence services.

Prior to joining BKD, David was a partner with a regional accounting firm and a member of the tax consulting practice of an international accounting firm.

He is a member of the American Institute of CPAs and Texas Society of Certified Public Accountants.