

Production Restoration Project

Application and Reporting Instructions

(FORM RPD - 41170)

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|--|--|------------------------------|----------|
| Name of Individual, Firm or Organization | | OGRID Number (for Tax Filer) | |
| Contact | | Telephone Number | |
| Mailing Address | | | |
| City | | State | Zip Code |
| Check One: <input type="checkbox"/> Well Operator <input type="checkbox"/> Working Interest Owner <input type="checkbox"/> Purchaser | | | |

Multiple tax remitters may apply for Department approval on a single Form RPD-41170 provided ALL information is completed using the above format.

PUN

PROPERTY NAME

POOL NAME/NUMBER

API NUMBER

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PLEASE ATTACH A COPY OF THE OIL CONSERVATION DIVISION'S APPLICATION FOR QUALIFICATION OF RESTORATION PROJECT AND CERTIFICATION OF APPROVAL.

FOR DEPARTMENT USE ONLY

Certificate of Approval to Use Production Restoration Incentive Tax Exemption

The New Mexico Taxation and Revenue Department is approving the use of the severance tax exemption for the above well completion based on the information that you have provided. This Department reserves the right to determine compliance with the provisions of the Natural Gas and Crude Oil Production Incentive Act.

Approval for use of the severance tax exemption begins with sales month _____.

and ends with sales month _____.

Please use Special Tax Rate Code _____ on your Form(s) RPD-41132, Oil & Gas Tax Detail, as it applies to the specific well completion and Production Unit Number listed above.

| | |
|-------------------|------------|
| Approved by _____ | Date _____ |
|-------------------|------------|

PRODUCTION RESTORATION PROJECT APPLICATION AND REPORTING INSTRUCTIONS

(Sections 7-29B-1 through 7-29B-6 NMSA 1978)

The Natural Gas and Crude Oil Production Incentive Act provides for an oil and gas severance tax exemption on natural gas and crude oil that is severed and sold from a production restoration project, provided that the annual average price of west Texas intermediate crude oil, determined by the department by averaging the posted prices in effect on the last day of each month of the twelve-month period ending on May 31 prior to each fiscal year in which the tax exemption is to be effective, was less than twenty-four dollars (\$24.00) per barrel. In order to qualify for the tax exemption, the restoration project must first be approved by the Oil Conservation Division of the Energy, Minerals and Natural Resources Department (OCD). The tax exemption applies to the crude oil and natural gas produced from a restoration project beginning the first day of the month following the date OCD certifies that production has been restored and ending the last day of the tenth year of production following that date. The restoration project must be in compliance with rules and regulations adopted by OCD concerning the Natural Gas and Crude Oil Production Incentive Act.

1. Who may use the severance tax exemption: The tax filer who is responsible for paying the production taxes on oil, on other liquid hydrocarbons removed at or near the wellhead or on natural gas produced from the well completion on which production has been restored as certified by OCD.

2. Who must file the application: Any tax filer who is taking the severance tax exemption. If the special tax rate code for a production restoration project is used without receiving prior approval, the tax filer may be assessed severance tax at the regular rate.

3. How and where to file the application: Complete this form and send it, along with a copy of OCD's Certification of Approval to the Taxation and Revenue Department, P. O. Box 2308, Santa Fe, NM 87504-2308. A separate application must be filed for each well that qualifies for the exemption.

4. When to apply for the severance tax exemption: When OCD certifies that production has been restored for this well completion. After validating the production unit number and well on your application, the Department will mail a certification of approval to take the severance tax exemption and will provide the special tax rate code to be used when reporting. **Please do not take the exemption before you receive approval.**

5. How to take the exemption: Enter the applicable code in the special tax rate code column and calculate the tax due amount using the total of the appropriate school, conservation and ad valorem production tax rates times net taxable value. Complete the other columns per Form RPD-41135, Oil & Gas Taxes Detail Report Instructions. The tax exemption applies to the crude oil and natural gas produced from a restoration project beginning the first day of the month following the date OCD certifies that production has been restored. If you are remitting taxes on a production unit number that has some wells that qualify as project restoration wells and some wells that do not qualify, you must report two separate line entries: one line with the special tax rate code, one line without. See example.

6. Claim for refund: If the severance tax exemption was not taken when reporting production taxes for an eligible well after the effective date, the taxpayer may file a claim for refund by submitting amended returns using the instructions stated above and in accordance with Section 7-1-26 NMSA 1978.

Mail or deliver the completed form to:

New Mexico Taxation and Revenue Department
Oil and Gas Bureau
1200 South St. Francis Drive
P. O. Box 2308
Santa Fe, NM 87504-2308
Telephone: (505) 827-0805