



2011 OIL AND GAS TAXATION CPE

16 Hours Continuing Education

Monday and Tuesday, December 5-6, 2011

**Ornelas Activity Center – UT Tyler
3402 Old Omen Rd
Tyler TX 75707**

Sponsored by
East Texas Chapter
Texas Society of
Certified Public Accountants
Sponsor # 269

Texas Society of Certified
Public Accountants
East Texas Chapter
P.O. Box 5100
Tyler, Texas 75712

**Register online @ etcpa.org (no PayPal account
necessary) or return completed form with payment to:**

East Texas Chapter TSCPA
P.O. Box 5100
Tyler, Texas 75712

Direct questions to Ann Tague at 903-530-6687
Registration & Cancellation Deadline: Monday, November 28, 2011

Name _____

Phone _____

Address _____

City/State/Zip _____

(Registrations postmarked after the 28th, add \$25)

CHECK ONE:

- ETCTSCPA Members \$450 Two days
- Non-Members \$550 Two days

Schedule both days:

- 8:15 a.m. Registration**
8:30 a.m. Oil and Gas Taxation
12:00 p.m. Lunch (included in registration fee)
1:00 p.m. Oil and Gas Taxation (cont'd)
4:30 p.m. Adjourn

Oil and Gas Taxation**Presented by Dr. Pat Hennesse**

This basic, two-day course teaches practical solutions to complicated oil and gas tax issues and strategies for dealing more effectively with the various operating entities.

Course Objectives:

Participants will be able to:

- Identify operating functions of an oil and gas exploration and production company and use industry terminology appropriately.
- Classify various oil and gas related expenditures as (1) acquisition costs, (2) geological and geophysical expenditures, (3) intangible drilling and development costs, and (4) lease operating expenses, and describe tax consequences of each.
- Demonstrate how to elect to expense intangible drilling and development costs on a tax return.
- Compute cost depletion and percentage depletion and limitations percentage depletion.
- Recognize and distinguish subleases and sales of oil and gas properties and compute the tax consequences of both.
- Distinguish a tax-free sharing arrangement from taxable transfer of oil and gas properties.
- Test their knowledge of each of the above course objectives with class exercises.

Course Outline:

1. Nature of the Industry and Acquisition of Properties
 - A. The Oil and Gas Industry
 - B. Working Interest and Royalty Interest
 - C. Mineral Ownership and Legal Descriptions
 - D. Acquisitions and the Oil and Gas Lease
 - E. The Oil and Gas Property Unit – Definition
 - F. Losses on Worthless Properties

2. Geological/Geophysical Costs (Exploration Costs)
 - A. Overview of Oil and Gas Geology
 - B. The Tax Treatment of Domestic G & G
 - C. The Tax Treatment of Foreign G & G
 - D. Damage Payments
 - E. Drilling Contributions
3. Development of Oil and Gas Properties (IDC)
 - A. Intangible Drilling and Development Costs Defined
 - B. The Election to Expense IDCs
 - C. Sec. 59(e) Election to Capitalize IDCs
 - D. Requirements to Expense Prepaid IDCs
 - E. Tax Preference IDC
 - F. Who Can Deduct IDCs
4. Depletion of Oil and Gas Properties
 - A. Overview of Oil and Gas Depletion
 - B. Cost Depletion
 - C. Percentage Depletion – In General
 - D. Gross Income From the Property
 - E. Net Taxable Income Limitation
 - F. Sec. 613A Limitations
 - a. Retailers and Refiners
 - b. 1,000 bbl. Limitation
 - c. 65% of Adj. Taxable Income Limitation
5. Depreciation of Oil and Gas Equipment
 - A. Depreciation of Lease and Well Equipment
 - B. Depreciation of Pipelines
 - C. Environmental Clean Up Costs
 - D. MACRS and Units of Production Depreciation
6. Conveyances and Deal Structuring
 - A. Subleases of Oil and Gas Properties
 - B. Sales of Oil and Gas Properties
 - C. Section 1254 Recapture Issues
 - D. Production Payments
 - E. Sharing Arrangements and the Pool of Capital Concept
 - F. Carried Interest and Joint Ventures
7. Like-kind Exchanges of Oil and Gas Properties
 - A. Overview of Sec. 1031
 - B. Exchanges of Working Interest

- C. Multiple Property Exchanges
- D. Other Qualifying Properties
- E. Sec. 1254 Recapture Issues

Proposed Audience: Internal corporate and external accountants, CPAs, analysts, auditors and attorneys working with oil and gas companies will benefit from this basic Oil and Gas Taxation course.

Prerequisites: Accounting knowledge

ABOUT OUR PRESENTER

Dr. Pat Hennessee is Professor Emeritus, University of Tulsa. Having been a CPA in both Oklahoma and Colorado, he is currently the editor and writer of Commerce Clearing House's Oil and Gas Federal Income Taxation. He has taught over 500 oil and gas tax related seminars to CPAs and attorneys and has had over 10,000 participants in his programs in the last 30 years. Dr. Hennessee also has a consulting practice with most of his clients in oil and gas exploration and production firms, or CPAs and attorneys advising on oil and gas issues. He has published numerous articles in both academic and professional journals, and recently retired from the University of Tulsa where he taught for over 30 years. While there, he served as Director of the School of Accounting; he initiated the University's Master of Taxation and later initiated the online Master of Taxation for the University.

Upcoming Chapter Events

(find more information at www.etcpa.org)

- Saturday, Aug. 20, 2011-1st Clays for CPAs, fundraiser for scholarships
 Monday, Oct. 24, 2011-Scholarship Golf Tournament, Cascades, Tyler
 Monday & Tuesday, Dec. 5-6, 2011-Oil and Gas Taxation, Pat Hennessee
 Thursday, Jan. 12, 2012-Oil and Gas Partnerships, Pat Hennessee
 Thurs., Jan. 19, 2012-Tax Update, Steve Tillinger
 Tues. & Wed., June 19-20, 2012-Partnerships CPE, Steve Tillinger
 Monday and Tuesday, August 6-7, 2012-A & A CPE, Mike Inzina