

Instructions and FAQs on how to accurately report codes on the Louisiana Oil and Gas Severance Tax Returns:

Part I. DNR and LDR Codes for Oil and/or Condensate (Sev O-1d Detail Return)

1. **Parish Code Column**—this column requires the number for the parish in which the field and lease are located. This code number is assigned by the Office of Conservation.

Example: The field and lease being reported are located in Lafourche Parish. The parish code for Lafourche Parish is 29. The number 29 must be listed in this column

2. **Field Code Column**—this column requires the *four (4) digit number* for the field being reported. This number is also assigned by the Office of Conservation. Some fields have leases in more than one parish. For example, False River has leases in both West Baton Rouge Parish (Parish No. 61) and Pointe Coupee Parish (Parish No. 39). It is very critical that you list the correct field. If you do not know the parish in which the lease is located, lease numbers (LUW Codes) can be researched in DNR's Sonris Lite to determine its parish location.

Example: Bay Marchand Blk 2 (offshore) field is being reported. The field code for this field is 0415. The number 0415 must be listed in this column.

3. **Producer Code Column**—this column requires the *four (4) digit character/number or five (5) digit character/number (effective February 2007)* assigned to the producer/operator of record by the Office of Conservation for a field, lease, and well. If you are the producer for a field with dispositions, you must enter your number in this column. But if you are a take-in-kind working interest owner or a purchaser who is paying the tax on behalf of the producer for leases in a field and you are not the producer of record for this field, *do not* list your producer or taxpayer code in this column.

Example: Exxon Mobil Corporation is the producer of record for a field with dispositions. The producer code number assigned to Exxon Mobil Corporation is E112. The number E112 must be listed in this column. The following frequently asked questions (FAQs) are provided to further assist you in reporting the producer code data on the Sev O-1d form as accurately as possible.

FAQs:

Q. Should I list my producer or taxpayer code in the Producer Code Column if I am a take-in-kind working interest owner or a purchaser who is not the producer of record for this field but I am paying the tax on behalf of the producer for leases in a field?

A. *No. Do not list your producer or taxpayer code in this column if you are not the producer of record for this field. Obtain the number assigned to the producer of record for the field on whose behalf you are paying the oil severance tax and list that producer's number in this column.*

Q. How can I obtain the correct producer number for the field if I am not the producer but am paying the oil severance tax on behalf of the producer?

A. *If you are a working interest owner, your division of interest should identify your majority interest owner, who in most cases is the producer/operator.*

Q. Is the producer number required to be listed in the Producer Code Column if a purchaser pays the oil severance tax on behalf of the producer?

A. *Yes. Your seller is the producer and should furnish its producer number to you. You can also request the producer code and the lease code(s) for the barrels on which you are paying the oil severance tax on behalf of the producer.*

Q. If my seller is a working interest owner, should this seller furnish me with the producer's number or the working interest owner's producer number?

A. *Your seller should furnish the producer's number to you.*

Q. What should I do if I am paying the oil severance tax and cannot obtain the producer's number from the seller?

A. *If you are paying the oil severance tax and cannot obtain the producer's number from the seller, you should request the producer's number from the working interest owner and list it in the Producer Code Column.*

In every case, the correct producer number must be listed in the Producer Code Column.

4. **Lease Code Column**—this column requires the **six (6) digit number** assigned to a lease property by the Office of Conservation to identify the location of a well or multiple wells. Each lease number is unique and assigned to only one producer/operator. Thus, no two producers/operators of oil and/or condensate fields with the same name will have identical lease numbers.
5. **Purchaser Code Column**—this column requires the **five (5) digit number** assigned to the producer or transporter by the Office of Conservation or the **five (5) digit character/number** assigned to the purchaser by the Department of Revenue. This number identifies the entity that purchased the oil and/or condensate from the producer.
6. **Kind Code Column**—this column requires the code assigned by the Department of Revenue to identify the category of resources being reported. Example: The number 1 is the Kind Code for oil; the number 2 is the Kind Code for condensate.
7. **Tax Rate Code Column**—this column requires the code assigned by the Department of Revenue to designate the tax rate of the natural resource being reported. The following are the most commonly used Tax Rates Codes: Rate 1 (Full Rate), Rate 2 (Incapable), Rate 3 (Stripper), Rate 4 (Working Interest Take-in-Kind), Rate 5 (U.S. Government Royalty Interest), Rate D (Deep Well Exemption), Rate H (Horizontal Well Exemption), and Rate I (Inactive Well Exemption). Please use the tax rate that is applicable to the barrel runs reported.

8. **Schedule Code Column**— this column requires the code assigned by the Department of Revenue to designate the type of return filed and whether the barrel runs are taxable or non-taxable on this return. The following are the most commonly used Schedule Codes:

Code 1tax is computed on this return

Code 2tax is not computed on this return but is reported by others

Code 5U.S. government royalty—no tax is due

Code D.....use in conjunction with tax rate D for exempt Deep wells

Code H.....use in conjunction with tax rate H for exempt horizontal wells

Code Iuse in conjunction with tax rate I for exempt inactive wells

Code Suse in conjunction with tax rate 3 for exempt stripper wells,
provided the gross taxable value is less than \$20 per barrel

Part II. DNR and LDR Codes for Gas (Sev G-1d Detail Return)

1. **Parish Code Column**—this column requires the number for the parish in which the field and lease are located. This code is assigned by the Office of Conservation.

Example: The field and lease are located in Vermilion Parish. The Parish Code for Vermilion is 57. Therefore, the number 57 must be listed in this column.

2. **Field Code Column**—this column requires the **four (4) digit number** for the field for which you are reporting. This code is assigned by the Office of Conservation.

Example: The Field Code for the Freshwater Bayou Field is 3968. If you are reporting this field, the number 3968 must be listed in this column. See also item 2 in Part I.

3. **Producer Code Column**—this column requires the **four (4) digit character/number or five (5) digit character/number (effective February 2007)** assigned to the producer/operator of record by the Office of Conservation for a field, lease, and well. If you are the producer for a field with dispositions, you must enter your number in this column. If you are a take-in-kind working interest owner who is paying the tax on behalf of the producer for leases in a field, but you are not the producer of record for this field, *do not* use your producer or taxpayer code in this column. The following example and frequently asked questions (FAQs) are provided to further assist you in correctly reporting this data as accurately as possible.

Example: Union Oil Company of California is the producer/operator of record. Its producer number is U011. Therefore, Union Oil Company of California must list the number U011 in this column when reporting.

FAQs:

Q. If I am not the producer but a working interest owner who is paying the gas severance tax on behalf of the producer, how do I obtain the correct producer number for the field for which I am paying the gas severance tax?

A. *Your division of interest should identify your majority interest owner, who in most cases is the producer/operator of record. List this number in the Producer Code Column.*

Q. How do I obtain the producer number if I am a purchaser who pays the tax?

A. *If your seller is the producer, obtain the seller's producer number or request the producer code and the lease code(s) for the mcfs for which you are paying the gas severance tax on behalf of the producer. If your seller is a working interest owner, the seller should furnish the producer's number (not the working interest owner's producer number) to you. You can also request the producer's number from the working interest owner if you are paying the gas severance tax.*

In every case, the correct producer number must be reported in the Producer Code Column.

4. **Lease Code Column**—this column requires the *six (6) digit number* assigned to a lease property by the Office of Conservation to identify the location of a well or multiple wells. Each lease number is unique and assigned to only one producer/operator. No two producers/operators of gas fields with the same name will have identical lease numbers.
5. **Plant Code Column**—this column requires the *four (4) digit character/number* assigned by the Office of Conservation to a plant that processes gas.
6. **Taxpayer Code Column**—this column requires the producer code number assigned by the Office of Conservation or the *five (5) digit character/number* of the purchaser assigned by the Department of Revenue to taxpayers who are not producers.
7. **Tax Rate Code Column**—this column requires the code assigned by the Department of Revenue to designate the tax rate of the natural resource being reported. You must use the tax rate that is applicable to the gas volume being reported in this column. The most commonly used tax rates are Rate 1 (Full rate); Rate 2 (Incapable *oil* well gas); Rate 3 (Incapable *gas* well gas); Rate D (Deep well exemption); Rate H (Horizontal well exemption); and Rate I (Inactive well exemption).
8. **Exclusion Code Column**—this column requires the code assigned by the Department of Revenue to designate gas volumes exempt from tax on this return. The Exclusion Codes and exemptions to which each code applies are: Exclusion Code 1 (in-state produced gas injected into the formation); Exclusion Code 2 (out-of-state produced gas injected into the formation); Exclusion Code 3 (vented or flared gas); Exclusion Code 4 (gas used for field operations in the field where produced); Exclusion Code 7 (used in the manufacture of carbon black); Exclusion Code 8 (U.S. Government Royalty); Exclusion Code 9 (gas to be accounted for by working interest owner or purchaser or other person (if you list Code 9, then you must also identify the taxpayer in the Taxpayer Code Column)); Exclusion Code X (measurement differences); and Exclusion Code N (gas used for the production of natural resources in Louisiana).

For both oil and gas reporting, it is very critical that you accurately identify the taxpayer (Schedule 2 taxpayer for oil/condensate or Exclusion Code 9 taxpayer for gas) if you are a producer/operator and are not paying the oil/condensate or gas severance tax for a lease. The reverse also applies. That is, you must accurately identify the producer/operator for a lease if you are a Schedule 2 taxpayer for oil/condensate or Exclusion Code 9 taxpayer for gas.

Most of the problems exist in the areas covered in Parts I and II of this correspondence. When codes are not reported accurately, payments of taxes are not properly applied. As stated in the introduction, the benefit to be shared by all severance tax filers and LDR is that man-hours are not spent locating severance tax payments made but not credited because the DNR and LDR codes were not reported accurately on the O-1d or G-1d. Though the O-2, O-3, O-5, G-2, G-3, and G-5 returns were not addressed in this correspondence, please note that correct reporting of the DNR and LDR codes is also required for these returns.

Beginning with the production month of March 2008, the DNR and LDR codes applicable to the Sev O-1d and Sev G-1d returns filed are to be reported in the manner prescribed above. If the person, whether the person is a producer/operator or working interest owner or taxpayer or purchaser, fails to make a report in the manner prescribed above, there shall be imposed upon that person as provided by R.S. 47:642(A), a specific penalty of *two hundred fifty dollars (\$250.00) for each reporting period, in addition to any other penalties provided.*

Also, the Department wishes to take this opportunity to remind taxpayers of the electronic filing option. One of the best ways to prevent coding errors and the resulting penalties that will be assessed is to submit your tax information electronically. There is a link at our website that explains the process. Additionally, our staff in the Taxpayer Services Division (225) 219-2200 is ready to help you implement this process. The advantage of filing electronically is that once it is set up, recurring fields such as lease number, producer, purchaser, etc. repopulate each month thereby eliminating the chance for human error. So please take advantage of our electronic filing option.

If you have any questions regarding the above coding requirements, please contact the Severance Tax Unit of the Office Audit Division (225) 219-2270 for clarification or guidance.