



ENHANCED OIL RECOVERY INSTRUCTIONS

ND Tax
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PROCEDURE FOR REPORTING ENHANCED RECOVERY

GENERAL DEFINITIONS

Incremental Production: Incremental production equals the volume of oil produced from the recovery project that exceeds the projected volume from the production decline curve each production month.

Non-incremental Production: Non-incremental production each production month equals the lesser of (1) the projected volume from the production decline curve, or (2) the volume of oil produced from the recovery project.

Exempt Period for the Incremental Oil Exemption:

- A 5-year exempt period from the oil extraction tax is applicable to incremental oil produced from a certified secondary recovery project, beginning on the first day of the first month in which incremental oil is produced.
- A 10-year exempt period is applicable to incremental oil produced from a certified tertiary recovery project, beginning on the first day of the first month in which incremental oil is produced. A qualifying tertiary recovery project which utilizes horizontal wells producing from the Bakken or Three Forks formations is limited to a 5-year exempt period.
- A 20-year exempt period from the oil extraction tax is applicable to incremental oil produced from a certified tertiary recovery project which utilizes at least 50% coal sourced carbon dioxide during a project month, beginning on the later of, the first day of the month in which incremental oil is produced or the first day of the month in which 50% or more of the carbon dioxide utilized is certified as being from a coal source. A qualifying tertiary carbon dioxide project which utilizes horizontal wells producing from the Bakken or Three Forks formations is limited to a 10-year exempt period.

Beginning Inventory at Start of Exempt Period: The volume of oil stored in lease tanks as beginning inventory on the first day of the exempt period will be treated as sold on a first-in, first-out basis during the initial months of the exempt period. This oil must be reported on the T-12 Oil Report using the well code applicable before the incremental oil exempt period began.

Ending Inventory After Exempt Period: Producers of units qualified for an incremental oil incentive may have oil stored in lease tanks as ending inventory on the last day of the exempt period. This oil was taxed at the time of production. Producers and purchasers, paying tax on sales volumes, should reduce sales volumes by the ending inventory volumes on a first-in, first-out basis

FILE AND REMIT TAX

Oil Producer: The unit operator of a secondary or tertiary recovery project, eligible for the incremental oil incentives, must file the T-80 Report and Schedule T-81. Without exception, the unit operator or the unit's working interest owners must remit the gross production and oil extraction tax. Tax is not remitted with the T-80 Report and Schedule T-81. Tax is remitted with a separately filed T-12 Oil Report.

Oil Purchaser: The purchaser must file a T-12 Oil Report for oil from a secondary or tertiary recovery project eligible for the incremental oil incentive. Do not complete lines 3 through 13 when filing on qualifying projects. Use well code **ER** in Block B.

FORMS REQUIRED

- **T-80 Unit Operator Report of Oil Production from a Secondary or Tertiary Recovery Project** calculates the barrels of exempt, reduced rate and fully taxable oil subject to the oil extraction tax rates in effect for wells in the project.
- **T-81 Unit Operator Schedule of Production from a Secondary or Tertiary Recovery Project** accounts for oil produced from individual project wells by well code.

- **T-82 Operator Schedule of Take In-Kind Owners** provides the percentages being reported by working interest owners when a unit originally qualifies. An updated Schedule T-82 needs to be submitted when take-in-kind ownership or percentages change (see Exhibits).
- **T-12 Oil Report** is used to file and remit the gross production and oil extraction taxes due on a qualifying recovery project.

The due date of the T-12 Oil Report, T-80 Report, and Schedule T-81 is on or before the twenty-fifth day of the month following the month of production.

PROJECT ELIGIBILITY REQUIREMENTS

Incremental Oil Exemption: The unit operator must have the North Dakota Industrial Commission, Department of Mineral Resources, Oil and Gas Division (N.D.I.C.) determine the production decline curve for the secondary or tertiary recovery project and certify that the recovery project is qualified on a technical basis. The N.D.I.C. will provide the Commissioner with a copy of the certification and monthly projected volumes from the production decline curve.

FORM T-80 INSTRUCTIONS

Original or Amended Return: Check only one. Amended data for prior periods will not be accepted on an original report, it must be submitted on an amended report. Amended T-80 Reports and T-81 Schedules will replace previously filed reports and schedules; therefore, all data fields must be completed with the correct information, whether or not, the data for a particular field has changed.

Year/Month: Enter numerals, e.g., 201807 for July 2018.

Federal I.D. Number: Enter nine-digit Federal I.D. number.

Operator's Name, Mailing Address, and Telephone Number: Enter company name and mailing address (including a nine-digit zip code). Enter the telephone number of the individual completing the report.

Unit Name: Enter the name of the certified secondary or tertiary recovery project unit. A separate T-80 Report and Schedule T-81 must be filed for each recovery project that is eligible for the incremental oil incentives.

Secondary or Tertiary Recovery Project: Check appropriate block.

Line 1. Total volume of oil produced from the project. Enter the total barrels adjusted for temperature and S&W (round to two decimal places).

Line 2. Volume of oil projected pursuant to the production decline curve. Enter the total barrels of oil projected by the N.D.I.C. for the report period.

Line 2a. If line 1 is greater than line 2, divide line 2 by line 1 (round to six decimal places). The fraction entered on this line will be used in Section B. If line 1 is less than line 2, leave line 2a blank.

NOTE: If line 1 is less than or equal to line 2, Section A must be completed. If line 1 is greater than line 2, complete only Section B.

SECTION A: (Complete Only When No Incremental Oil is Produced.)

Line 3. Exempt Non-incremental Production: Enter the cumulative total of the Block 1 entries from the last page of the Schedule T-81 on line 3.

Line 4. Taxable Non-incremental Production: The taxable volume of non-incremental production will be subject to a 2%, 5% or 6% oil extraction tax rate as determined on lines 4a, 4b, and 4c. When the condition indicated for line 4b is met, line 4c should be left blank. When the condition indicated for line 4c is met, line 4b should be left blank.

Line 4a. 2% Barrels: enter the cumulative total of the Block 2 entries from the last page of Schedule T-81 on line 4a.

Line 4b Complete line 4b only if the 5% oil extraction tax rate is in effect during the period

5% Barrels: enter the cumulative total of the Block 3 entries from the last page of the Schedule T-81 on line 4b (the value of line 4b should equal line 1 minus lines 3 and 4a).

Line 4c Complete line 4c only if the 6% oil extraction tax rate is in effect during the period

6% Barrels: enter the cumulative total of the Block 4 entries from the last page of the Schedule T-81 on line 4c (the value of line 4c should equal line 1 minus lines 3 and 4a).

SECTION B: (Complete Only When Incremental Oil is Produced and the Project is Within the 5 or 10-Year Exempt Period.)

If the 5 or 10-year exempt period has not expired and line 1 is greater than line 2, exempt incremental oil has been produced in the current month and Section B must be completed.

- Line 5. Exempt Incremental Production:** Line 1 minus line 2.
- Line 6. Exempt Non-incremental Production:** Multiply the cumulative total of the Block 1 entries from the last page of Schedule T-81 by the decimal on line 2a (round to two decimal places).
- Line 7. Taxable Non-incremental Production:** The taxable volume of non-incremental production will be subject to a 2%, 5% or 6% oil extraction tax rate as determined on lines 7a, 7b, and 7c. When the condition indicated for line 7b is met, line 7c should be left blank. When the condition indicated for line 7c is met, line 7b should be left blank.
- Line 7a. 2% Barrels:** Multiply the cumulative total of the Block 2 entries from the last page of the Schedule T-81 by the decimal on line 2a (round to two decimal places).
- Line 7b Complete line 7b only if the 5% oil extraction tax rate is in effect during the period**
- 5% Barrels:** Multiply the cumulative total of the Block 3 entries from the last page of the Schedule T-81 by the decimal on line 2a (round to two decimal places) (the value of line 7b should equal line 2 minus lines 6 and 7a).
- Line 7c Complete line 7c only if the 6% oil extraction tax rate is in effect during the period**
- 6% Barrels:** Multiply the cumulative total of the Block 4 entries from the last page of the Schedule T-81 by the decimal on line 2a (round to two decimal places) (the value of line 7c should equal line 2 minus lines 6 and 7a).

SECTION C:

The allocation of the recovery project's taxable production must be completed to identify the specific county in which production occurred. Use only the first column of Section C if all recovery project wells are located in a single county. Use the first and second columns of Section C if the recovery project wells are located in two counties. Use all columns of Section C if the recovery project wells are located in three counties.

- Line 8. Group Number:** Enter the property/group number assigned to the recovery project by the Commissioner. If the recovery project is a single well project, enter the API number assigned to the well by the N.D.I.C.
- Line 9. Volume of oil produced from each county:** Enter the barrels of oil produced from each county (round to two decimal places). The total barrels on line 9 for all counties must equal the volume on line 1.
- Line 10. County decimal:** Divide line 9 by line 1 (round to six decimal places).
- Line 11. Production subject to 5% gross production and 0% oil extraction tax:** Multiply the barrels on line 3, or line 5 plus line 6, by line 10 (round to two decimal places). The exempt barrels on line 11 must be reported as a separate line entry on a T-12 Worksheet using well code **R1** (see T-12 Worksheet Instructions).
- Line 12. Production subject to 5% gross production and 2% oil extraction tax:** Multiply the barrels on line 4a or line 7a by line 10 (round to two decimal places). The 2% barrels on line 12 must be reported as a separate line entry on a T-12 Worksheet using well code **RN** (see T-12 Worksheet Instructions).
- Line 13. Production subject to 5% gross production and 5% oil extraction tax:** Multiply the 5% barrels on line 4b or line 7b by line 10 (round to two decimal places). The 5% barrels on line 13 must be reported as a separate line entry on a T-12 Worksheet using well code **T5** (see T-12 Worksheet Instructions).
- Production subject to 5% gross production and 6% oil extraction tax:** Multiply the 6% barrels on line 4c or line 7c by line 10 (round to two decimal places). The 6% barrels on line 13 must be reported as a separate line entry on a T-12 Worksheet using well code **T6** (see T-12 Worksheet Instructions).

SCHEDULE T-81 INSTRUCTIONS

Year/Month: Enter numerals, e.g., 201807 for July 2018.

Federal I.D. Number: Enter the unit operator's nine-digit Federal I.D. number.

Operator's Name: Enter the name of the unit operator.

Unit Name: Enter the name of the unit that was certified as a secondary or tertiary recovery project.

Well or Lease Name: Enter the name of the individual well or lease.

API Number: Enter the eight-digit API number assigned to the well by the N.D.I.C.

Barrels Produced: Enter the total barrels of oil produced for the month adjusted for temperature and S & W (round to two decimal places).

Block 1. Add the barrels produced from the individual line entries for well codes S1, S2, S3, or S4 and enter the total barrels for each page and the cumulative total of all pages.

Block 2. Add the barrels produced from the individual line entries for well code RN and enter the total barrels for each page and the cumulative total of all pages.

Block 3. Add the barrels produced from the individual line entries for well code T5 and enter the total barrels for each page and the cumulative total of all pages.

Block 4. Add the barrels produced from the individual line entries for well code T6 and enter the total barrels for each page and the cumulative total of all pages.

Alternate method of reporting: If the unit operator reports production from the recovery project on a well-by-well basis to the N.D.I.C., the unit operator may choose to report certain project wells on the Schedule T-81 as follows:

- For project wells subject to the S1, S2, S3, or S4 - 0% oil extraction tax rate, report the cumulative production for each exempt well code on a single line entry under the unit name, group number, and well code.
- For project wells subject to the RN reduced 2% oil extraction tax rate, report the cumulative production from the RN wells on a single line entry under the unit name, group number, and well code.
- For project wells subject to the T5 - 5% oil extraction tax rate, report the cumulative production from the T5 wells on a single line entry under the unit name, group number, and well code.
- For project wells subject to the T6 - 6% oil extraction tax rate, report the cumulative production from the T6 wells on a single line entry under the unit name, group number, and well code.

NOTE: The alternative method of reporting production from project wells may not be used when production is reported to the N.D.I.C. on some basis other than a well-by-well basis.

(Revised 2/2020)