

**Oil and Gas Tax Programs**

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The New Mexico Taxation and Revenue Department administers one tax on the processing of natural gas, one tax on oil and gas production equipment and four taxes on the production of oil and gas products.

**Natural Gas Processors Tax**

This privilege tax is levied solely on processors for the privilege of operating a natural gas processing plant in New Mexico. The tax is imposed on the amount of MMBTU's of natural gas delivered to the processor at the inlet of the natural gas processing plant after subtracting various MMBTU deductions identified in the Act. This tax is governed by Chapter 7, Article 33 of the New Mexico statutes. For more information regarding this tax program, related reporting requirements and forms, please contact (505) 827-0807.

**Oil and Gas Production Equipment Ad Valorem Tax**

This tax is levied on the assessed value of the equipment at each production unit, in lieu of property tax on that equipment.

The taxable value of the equipment of each production unit is an amount equal to twenty-seven percent (27%) of the value of the products of each production unit. The assessed value is determined by applying the uniform assessment ratio to the taxable value. Please call (505) 827-0809 for assistance regarding the Equipment Tax.

On or before each October 15, the New Mexico Taxation and Revenue Department must send the taxpayer a statement showing the tax due, based on the assessed value of equipment for each production unit and the applicable tax rate. The taxpayer must remit payment on or before November 30 of the same year. This tax is governed by Chapter 7, Article 34 of the New Mexico statutes.

**Production Taxes**

These tax programs require operators, purchasers or working interest owners to submit to the New Mexico Taxation and Revenue Department Oil and Gas Tax Reports each calendar month, showing the total value, volume and kind of products sold from each production unit.

**Oil and Gas Severance Tax** - This is a tax on all products severed and sold. The tax rate is a percentage of the taxable value determined by Sections 7-29-4 and 7-29-4.1 New Mexico Statutes Annotated (NMSA) 1978. This Tax is governed by Chapter 7, Article 29 of the New Mexico statutes.

**Oil and Gas Conservation Tax** - This tax also applies to all products that are severed and sold. The tax rate, a percentage of the taxable value of sold products, varies with the unencumbered balance in New Mexico's oil and gas reclamation fund. This Tax is governed by Chapter 7, Article 30 of the New Mexico statutes.

**Oil and Gas Emergency School Tax** - This is a privilege tax on the business of every person severing oil and other liquid hydrocarbons, carbon dioxide and natural gas in New Mexico. Every interest owner is deemed to be in the business of severing products and is liable for this tax to the extent of his interest in the value of severed products. The tax rate is based on the products' taxable value as determined under Chapter 7, Article 31 of the New Mexico statutes.

***Oil and Gas Ad Valorem Production Tax*** - This is an ad valorem tax on the assessed value of products which are severed and sold from each production unit. The ad valorem tax rate is a composite of rates imposed by local taxing authorities, including counties and school districts. Production Tax rates change with every September production, due November 25. The tax is governed by Chapter 7, Article 32 of the New Mexico statutes.

### ***Oil and Gas Tax Reports***

The oil and gas production taxes require the filing of Form RPD-41131 Summary Reports and Form RPD-41132 Detail Reports. The New Mexico Taxation and Revenue Department also requires that the payment of tax by check be submitted with a special remittance document.

This Filer's Kit includes a set of sample completed Form RPD-41132 forms. Though the samples do not address every possible set of taxpayer circumstances, they illustrate these commonly occurring reporting scenarios:

Example A: REGULAR REPORTING DETAIL LINE.

Example B: REGULAR REPORTING DETAIL LINE - PROCESSED GAS.

Example C: AMENDMENT REPORTING.

Example D: CORRECTION TO A DEBIT OR CREDIT COMPUTATION.

Example E: REPORTING APPLICATION - INDIAN INTERGOVERNMENTAL TAX CREDIT.

Example F: PRODUCTION RESTORATION INCENTIVE.

Example G: WELL WORKOVER INCENTIVE.

Example H: MULTIPLE SUFFIXES BEHIND ONE PRODUCTION UNIT.

If you need assistance in completing your Oil & Gas tax forms, please contact the office listed under "Compliance Section" in the section of this filer's kit called "For Further Service."

### ***Assigned Identifier Numbers and Suffixes***

The New Mexico Taxation and Revenue Department is required to designate company identification numbers, production unit numbers and any other type of code such as suffixes for the purpose of administering taxes. \*

The identifier numbers and symbols issued are the Oil and Gas Reporting Identification Number (OGRID), the Production Unit Number (PUN) and the Suffix.

### **Oil & Gas Reporting Identification Number (OGRID)**

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This is a number issued for the identification of a company required to report and remit oil and gas taxes. The OGRID number is issued by the Department upon registration with the Department. This number is to be used by the taxpayer on all forms, tax payments and correspondence with the Department. The Department also uses this number to identify all reports and payments. Failure to use this number could result in unidentified payments and reports which could adversely affect a taxpayer's reporting and payment history.

### **Production Unit Number (PUN)**

This is a number issued as a unique identifier for one or more well completions. The number is assigned by the Department based on the master operator, property name identification and pool. This accounting identification number is to be used by the taxpayer for the reporting of oil and gas production taxes.

### **Suffix**

This is an alpha-numeric five-character code representing the associated land type and taxing authority, such as the county, school district or municipality recognized for that property. It is assigned based on the spacing unit acreage for a well completion, communitization or unitization. The amount of taxes to be paid is affected by the rates established by statute and by the county, school district and municipality in which the acreage is located. This identifier also establishes the subsurface ownership of the spacing unit, determining possible deductions. This suffix is to be used by the taxpayer for the reporting of oil and gas production taxes.

### ***Registration Update Requirements***

Taxpayers who change their mailing address or cancel an OGRID number or deactivate an OGRID role (s) in New Mexico, should notify the Department of their change of status by completing the Form RPD-41137, Registration Update for Oil and Gas Taxes, included in this Filer's Kit.

The Department mails notices such as "Notice of Assessment of Taxes" and "Notice of Tax Credits", many of which require taxpayer response by a specified deadline. An incorrect address may delay the taxpayer's receipt of critical information, to the detriment of the taxpayer's best interests.

Under New Mexico statutes, any notice given by mail is effective if it is mailed or served to the taxpayer or a person at the last address shown on the taxpayer's registration certificate or on another Department record. Please refer to Section 7-1-9 NMSA 1978 of the Tax Administration Act for further details.

### ***Advance Payment Requirements***

Advance payments for the School, Severance, Conservation and Ad Valorem Production taxes have been statutorily required since 1991. Each taxpayer must remit an advance payment based on the average of payments remitted from April 1 of the previous year through March 31 of the current year.

The Department will calculate advance payments and issue notices every year based on accumulated payment data for the previous sales months February through January.

The average is computed annually in July. The previous month's advance payment can be taken as a credit on the next remittance return. Because of these two factors, the advance payment amount due and