

OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

PHONE (405) 521-3133
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April 21, 2003

Re: Our File No. LR-03-073 (Gross Production) Tax Deduction.

Dear

This letter is in response to your inquiry as to whether charges levied by upon certain gas producing properties may be deducted from Gross Production Taxes.

The facts as stated in your letter describe how determined that the costs of getting gas from the wellhead to the purchase/transfer point costs a minimum of Two-hundred dollars (\$200.00) for each meter operated by To offset these costs, implemented a fee, which is referred to as a "Low Flow Meter Fee" that charges to each wellhead that does not allow for the recovery of costs through normal procedures. The fee is allocated to each producer accordingly as stipulated in each purchase contract.

Based upon the facts provided in your letter, it is apparent that the "Low Flow Meter Fee" charged by to producers of wells that produce low volumes of gas for sale to would be deemed costs for delivering gas to the first purchaser. Such costs are considered marketing costs and are deductible from the levy of Gross Production Tax in accordance with specific guidelines, which I have attached.

If you should have any questions or need additional information you may contact me at 405-521-3133.

This response applies only to the circumstances set out in your request of March 3, 2003. Pursuant to Commission Rule 710:1-3-73(e), this Letter Ruling may be generally relied upon only by the entity to whom it is issued, assuming that all pertinent facts have been accurately and completely stated, and that there has been no change in applicable law.

Sincerely,

Mark J. Hendrix
Tax Policy Analyst

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